

SEVIER COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2005

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of County Commissioners
Sevier County
Richfield, Utah 84701

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sevier County as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sevier County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

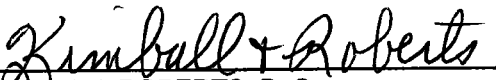
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sevier County as of December 31, 2005, respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2006, on our consideration of Sevier County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, condition assessment of the County's infrastructure and budgetary comparison schedules on pages 6 through 16, 53 and 54 through 62 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Board of County Commissioners
Sevier County

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sevier County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Sevier County. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 22, 2006
Richfield, Utah

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of Sevier County's financial performance provides an overview of the County's financial activities for the year ending December 31, 2005. This report is in conjunction with the County's financial statements. All amounts, unless otherwise indicated, are expressed in **thousands of dollars**.

The purpose of the County is to provide general services to its residents and includes general government, public safety, public health, highways and public improvements, park and recreation, and economic development. Additional services provided to residents in the unincorporated areas include road maintenance and fire control.

Financial Highlights

- ◆ The assets of Sevier County exceeded its liabilities as of the close of the most recent year by \$39,277 (*net assets*). Of this amount, \$11,397 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets increased by \$1,222. The revenues were more than the adopted budget and expenditures were less than the adopted budgeted amounts.
- ◆ At the close of the current year, the Sevier County governmental funds reported combined ending fund balances of \$14,246 an increase of \$1,096 in comparison with the prior year. Approximately 79 percent of this total amount, \$11,307 is available for spending at the government's discretion (*unreserved fund balance*).
- ◆ At the end of the current year, unreserved fund balance for the general fund was \$4,051, or 52 percent of total general fund expenditures.
- ◆ Sevier County's total debt decreased by \$659.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Sevier County's basic financial statements. Sevier County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Sevier County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Sevier County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Sevier County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some

items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Sevier County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Sevier County include general government, public safety, public health, highways and public improvements, parks and recreation, and economic development. The business-type activity of Sevier County is the landfill operation.

The government-wide financial statements include not only Sevier County itself (known as the primary government), but also two legally separate special service districts, one for highways and bridges and the other for economic development, for which Sevier County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. Landfill operations, for all practical purposes, function as a department of Sevier County and, therefore, has been included as an integral part of the primary government.

Refer to the table of contents for the location of the government-wide financial statements.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Sevier County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Sevier County can be divided into three categories: governmental funds, enterprise funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Sevier County maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund,

public health fund, ambulance fund, B-Road fund, Municipal Building Authority, and capital projects fund all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Sevier County adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary funds

Sevier County maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Sevier County uses an enterprise fund to account for its landfill operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the landfill, which is considered to be a major fund of Sevier County.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Sevier County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Refer to the table of contents for the location of the basic fiduciary fund financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Sevier County.

The combining statements referred to earlier in connection with non-major governmental funds and the enterprise fund is presented immediately following the required supplementary information.

Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Sevier County, assets exceeded liabilities by \$39,277 at the close of the most recent fiscal year.

The largest portion of Sevier County's net assets (63 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. Sevier County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Sevier County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Sevier County's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and other assets	13,579	14,782	1,304	1,440	14,883	16,222
Capital assets	38,161	37,717	762	653	38,923	38,370
Total assets	51,740	52,499	2,066	2,093	53,806	54,592
Long-term Liabilities outstanding	12,495	11,886	953	895	13,448	12,781
Other liabilities	1,191	1,336	107	124	1,298	1,460
Total liabilities	13,686	13,222	1,060	1,019	14,746	15,356
Net Assets:						
Invested in capital assets, net of related debt	24,904	25,031	(264)	(316))	24,640	24,714
Restricted	2,285	2,850	87	89	2,372	2,939
Unrestricted	10,865	11,397	1,183	1,301	12,048	12,698
Total net assets	38,054	39,277	1,006	1,074	39,060	40,351

A portion of Sevier County's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$11,397) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Sevier County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Governmental activities

Governmental activities increased Sevier County's net assets by \$1,222. Key elements of this increase are as follows:

Sevier County's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues:						
Program Revenues:						
Charges for services	4,094	4,551	538	601	4,632	5,152
Operating grants and contributions	5,891	5,069			5,891	5,069
General revenues:						
Property taxes	3,362	3,143			3,362	3,143
Other taxes	1,311	1,897			1,311	1,897
Grants and contributions not restricted to specific programs	952	995			952	995
Gain (Loss) on sale of fixed assets	(51)	(69)			(51)	(69)
Unrestricted investment earnings	185	423	21	42	206	465
Other	0	0			0	0
Total revenues	<u>15,745</u>	<u>16,009</u>	<u>559</u>	<u>603</u>	<u>16,304</u>	<u>16,652</u>
Expenses:						
General government	2,431	3,005			2,431	3,005
Public safety	4,761	4,764			4,761	4,764
Public health	4,758	4,867			4,758	4,867
Highways and public improvements	933	1,241			933	1,241
Parks and Recreation	306	3607			306	360
Economic Development	455	73			455	73
Interest on long-term debt	462	452		24	462	476
Landfill			540	576	540	576
Total expenses	<u>14,105</u>	<u>14,762</u>	<u>540</u>	<u>600</u>	<u>14,645</u>	<u>15,362</u>
Increase in net assets before transfers	1,639	1,247	19	43	1,658	1,290
Transfers	(25)	(25)	25	25	0	0
Increase in net assets	1,614	1,222	43	68	1,658	1,290
Net assets - beginning	<u>36,440</u>	<u>38,054</u>	<u>962</u>	<u>1,006</u>	<u>37,402</u>	<u>39,060</u>
Net assets - ending	<u>38,054</u>	<u>39,277</u>	<u>1006</u>	<u>1,074</u>	<u>39,060</u>	<u>40,351</u>

For the most part, overall revenues remained constant.

Business-type activities

Business-type activities remained fairly constant resulting in an increase of net assets for the year.

Financial Analysis of the Government's Funds

As noted earlier, Sevier County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of Sevier County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Sevier County's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Sevier County's governmental funds reported combined ending fund balances of \$14,246 an increase of \$1,096 in comparison with the prior year. Approximately 79 percent of this amount (\$11,307) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to highways and public improvements (\$2,280), 2) to drug enforcement (\$231), 3) scholarships (\$1) and 4) bond reserves (\$337), and 5) Landfill Postclosure (89).

The general fund is the chief operating fund of Sevier County. At the end of the current year, unreserved fund balance of the general fund was \$4,051, while total fund balance reached \$4,388. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 52 percent of total general fund expenditures, while total fund balance represents 57 percent of that same amount.

Proprietary funds

Sevier County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the landfill at the end of the year amounted to \$1,301.

General Fund Budgetary Highlights

The original budget and the final amended budget stayed approximately the same.

Capital Asset and Debt Administration

Capital assets

Sevier County's investment in capital assets for its governmental activities as of December 31, 2005, amounts to \$37,717 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, and infrastructure, which includes roads, highways and bridges. The total increase in Sevier County's investment in capital assets for the current year was \$593.

Also, the county has elected to use the modified approach to account for its infrastructure assets, such as roads and bridges. That information can be found in the required supplemental information following the notes to the financial statements.

Sevier County's Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land	1,584	1,584			1,584	1,584
Infrastructure	24,029	24,029			24,029	24,029
Buildings	9,946	9,663	239	233	10,185	9,896
Improvements other than buildings	741	715	260	235	1,000	950
Equipment	1,861	1,726	263	186	2,124	1,912
Construction in Progress						0
Total	<u>38,161</u>	<u>37,717</u>	<u>761</u>	<u>654</u>	<u>38,923</u>	<u>38,371</u>

Additional information on Sevier County's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the current year, Sevier County had total bonded debt outstanding of \$12,678. The debt represents both general obligation bonds and revenue bonds secured solely by specified revenue sources (i.e. revenue bonds).

Sevier County's Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenue Bonds	5,482	5,215	1,009	953	6,491	6,168
G. O. Bonds	7,196	6,904			7,196	6,904
Total	<u>12,678</u>	<u>12,119</u>	<u>1,009</u>	<u>953</u>	<u>14,696</u>	<u>13,072</u>

In 2004 Sevier County issued \$3,715,000 of Lease Revenue Refunding Bonds to refund \$3,748,331 of the 1995 USDA Rural Development Revenue Bonds issued in the amount of \$4,400,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column in the statement of net assets. The reacquisition price was less than the net carrying amount of the old debt by \$33,331. The advance refunding was undertaken to reduce total debt service payments over the next 18 years by \$451,391 and resulted in the economic gain of \$296,753.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2 percent of its total fair market value of taxable property in the county. The current debt limitation for Sevier County is \$22,286. Sevier County has general obligation debt of \$7,196.

Additional information on Sevier County's long-term debt can be found in the notes of the financial statements.

Economic Factors and Next Year's Budgets and Rates

- ◆ The unemployment rate for Sevier County is 5.4 percent, which is a slight increase from a rate of 5.1 percent a year ago. This is higher than the state's average unemployment rate of 5.3 percent and lower than the national average rate of 5.6 percent.
- ◆ The value of new residential construction increased by approximately 48 percent. Non-residential construction increased by approximately 97 percent indicating an acceleration in our economic activity.

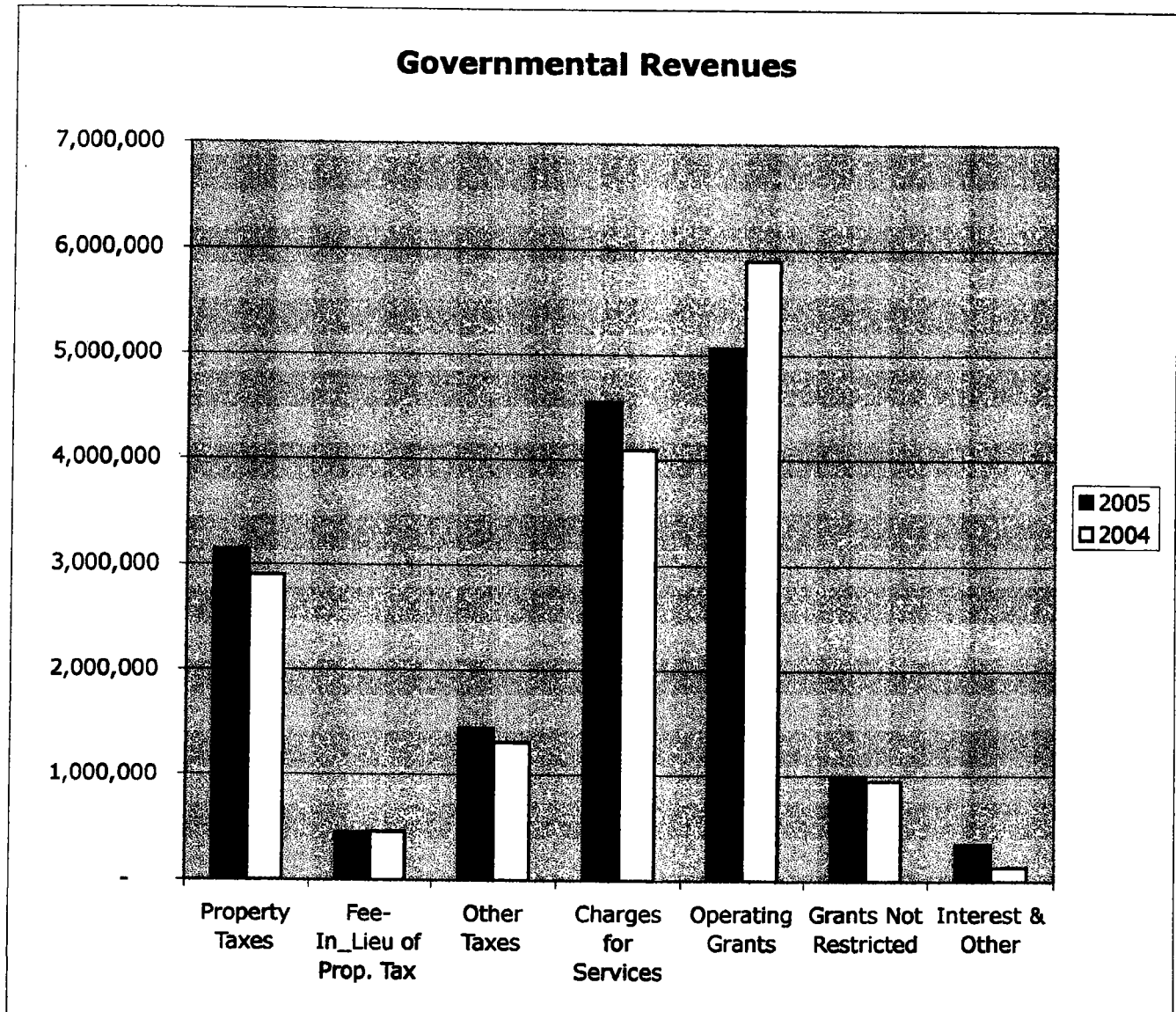
All of these factors were considered in preparing Sevier County's budget for the 2006 year.

Requests for Information

This financial report is designed to provide a general overview of Sevier County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sevier County Clerk/Auditor, 250 North Main, Richfield, Utah, 84701.

SEVIER COUNTY
Governmental Revenues
For The Years Ending December 31, 2005 and 2004

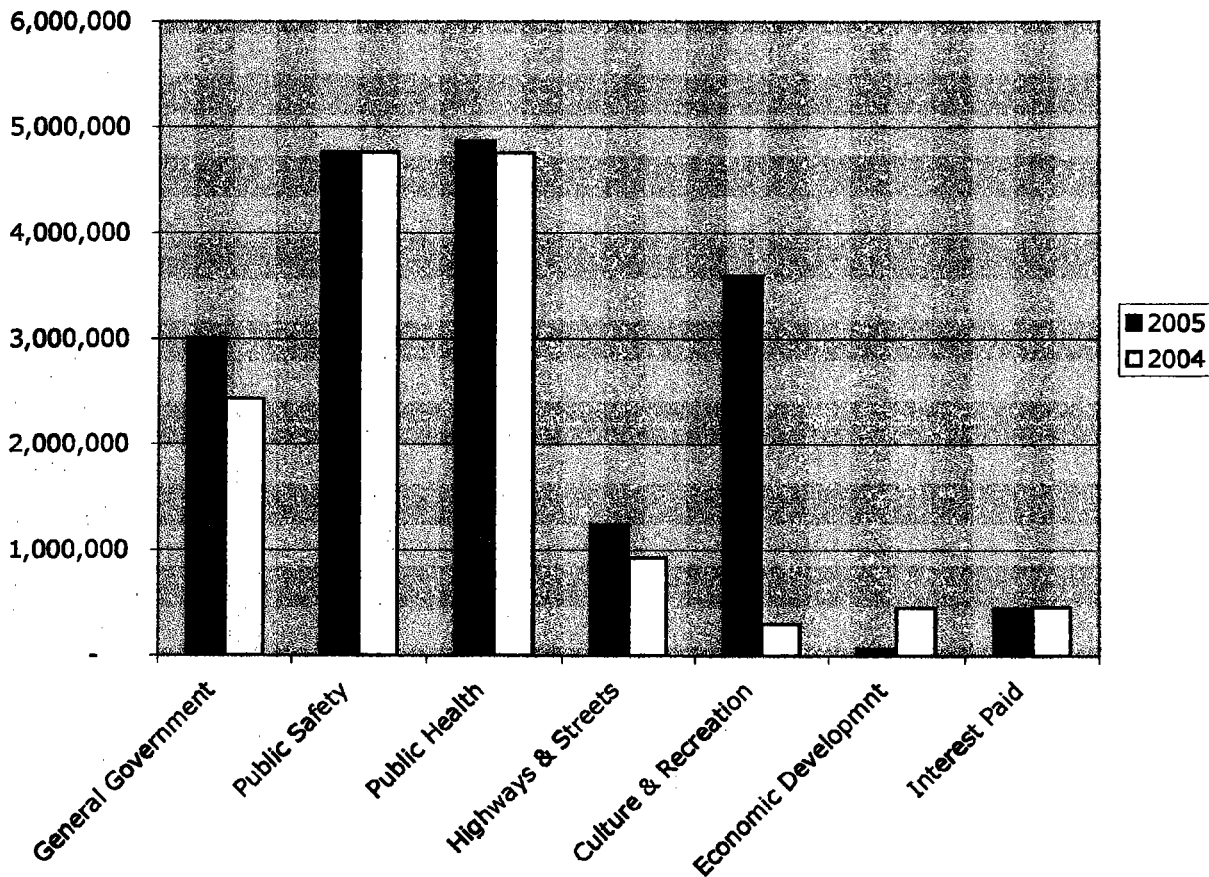
	2005	2004
Property Taxes	3,143,497	2,903,047
Fee-In Lieu of Prop. Tax	449,811	459,517
Other Taxes	1,446,226	1,310,738
Charges for Services	4,551,394	4,093,705
Operating Grants	5,069,339	5,890,615
Grants Not Restricted	994,781	952,493
Interest & Other	353,825	134,031
Total Revenues	16,008,873	15,744,146



SEVIER COUNTY
Governmental Expenditures
For The Years Ending December 31, 2005 and 2004

	2005	2004
General Government	3,004,907	2,431,052
Public Safety	4,764,053	4,760,934
Public Health	4,866,650	4,757,558
Highways & Streets	1,241,040	933,106
Culture & Recreation	3,595,611	305,568
Economic Developmnt	73,302	454,770
Interest Paid	452,218	461,831
Total Expenditures	17,997,781	14,104,819

Governmental Expenditures



BASIC FINANCIAL STATEMENTS

**SEVIER COUNTY
STATEMENT OF NET ASSETS**

December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	10,722,418	1,350,805	12,073,223	1,015,423
Accounts Receivable (Net)	532,591	-	532,591	18,668
Due From Other Government Units	444,398	-	444,398	-
Bond Issuance Costs	143,445	-	143,445	-
Total Current Assets	11,842,852	1,350,805	13,193,657	1,034,091
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	2,938,921	89,261	3,028,182	-
Capital Assets (Net of Accumulated Depreciation):				
Land	1,584,130	-	1,584,130	-
Buildings	9,663,216	232,477	9,895,693	-
Improvements Other Than Buildings	714,888	234,912	949,800	-
Equipment	1,726,129	185,722	1,911,851	-
Infrastructure	24,029,082	-	24,029,082	-
Total Noncurrent Assets	40,656,366	742,372	41,398,738	-
TOTAL ASSETS	52,499,218	2,093,177	54,592,395	1,034,091
LIABILITIES				
Current Liabilities:				
Accounts Payable	255,120	-	255,120	261,006
Accrued Liabilities	137,010	50,035	187,045	-
Bond Issuance Premium	173,746	-	173,746	-
Bond Interest Payable	152,500	16,000	168,500	-
Lease Obligations Payable - Due Within One Year	44,338	-	44,338	-
G. O. Bonds Payable - Due Within One Year	307,000	-	307,000	-
Revenue Bonds Payable - Due Within One Year	266,700	58,000	324,700	-
Total Current Liabilities	1,336,414	124,035	1,460,449	261,006
Noncurrent Liabilities:				
Lease Obligations Payable - More Than One Year	141,295	-	141,295	-
G. O. Bonds Payable - More Than One Year	6,597,000	-	6,597,000	-
Revenue Bonds Payable - More Than One Year	4,947,900	895,000	5,842,900	-
Compensated Absences	200,000	-	200,000	-
Total Noncurrent Liabilities	11,886,195	895,000	12,781,195	-
TOTAL LIABILITIES	13,222,609	1,019,035	14,241,644	261,006
NET ASSETS				
Investment in Capital Assets, Net of Debt	25,030,410	(315,889)	24,714,521	-
Restricted For:				
Landfill Postclosure Costs	-	89,261	89,261	-
Bond Reserves	337,123	-	337,123	-
Class B Roads	2,280,399	-	2,280,399	446,952
Scholarship Funds	685	-	685	-
Drug Enforcement	231,453	-	231,453	-
Unrestricted	11,396,539	1,300,770	12,697,309	326,133
TOTAL NET ASSETS	39,276,609	1,074,142	40,350,751	773,085
TOTAL LIABILITIES AND NET ASSETS	52,499,218	2,093,177	54,592,395	1,034,091

The notes to the financial statements are an integral part of this statement.

**SEVIER COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2005

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants/ Capital Grants/ Contributions		Primary Government		Component Units
			Contributions	Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	3,004,907	1,347,156	25,000	-	(1,632,751)	-	-
Public Safety	4,764,053	1,656,581	501,026	-	(2,606,446)	-	-
Public Health	4,866,650	1,430,187	3,624,058	-	187,595	-	-
Highways and Public Improvements	1,241,040	422	889,633	-	(350,985)	-	-
Park and Recreation	359,561	-	15,594	-	(343,967)	-	-
Economic Development	73,302	117,048	14,028	-	57,774	-	-
Interest on Long-Term Debt	452,218	-	-	-	(452,218)	-	-
Total Governmental Activities	14,761,731	4,551,394	5,069,339	-	(5,140,998)	-	-
Business-Type Activities:							
Landfill	600,311	601,415	-	-	-	1,104	-
Total Primary Government	15,362,042	5,152,809	5,069,339	-	(5,140,998)	1,104	-
Component Units:							
Road District	1,803,068	103,057	2,022,558	-	-	-	322,547
Total Component Units	1,803,068	103,057	2,022,558	-	-	-	322,547
General Revenues:							
Property Taxes					3,143,497	-	-
Fee-In-Lieu of Property Taxes					449,811	-	-
Transient Room tax					220,646	-	-
Restaurant Taxes					177,758	-	-
Sales Taxes					1,047,822	-	-
Grants and Contributions Not Restricted to Specific Programs					994,781	-	-
Gain on Sale of Fixed Assets					(69,147)	-	-
Unrestricted Investment Earnings					422,972	42,328	26,943
Transfers					(25,000)	25,000	-
Total General Revenues and Transfers					6,363,140	67,328	26,943
Change in Net Assets					1,222,142	68,432	349,490
Net Assets - Beginning					38,054,467	1,005,710	423,595
Net Assets - Ending					39,276,609	1,074,142	773,085

The notes to the financial statements are an integral part of this statement.

**SEVIER COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2005

	General Fund	Ambulance	Public Health	Class B Roads	Municipal Building Authority	Capital Project	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	4,726,666	1,010,241	727,407	1,999,777	1,437,469	2,181,886	1,577,894	13,661,340
Accounts Receivable (Net)	40,175	400,000	-	92,416	-	-	-	532,591
Due From Other Government Units	8,159	-	226,714	188,206	-	-	21,320	444,399
TOTAL ASSETS	4,775,000	1,410,241	954,121	2,280,399	1,437,469	2,181,886	1,599,214	14,638,330
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable	255,120	-	-	-	-	-	-	255,120
Accrued Liabilities	132,205	-	4,806	-	-	-	-	137,011
Total Liabilities	387,325	-	4,806	-	-	-	-	392,131
Fund Balances:								
Reserved For:								
Class "B" Road	-	-	-	2,280,399	-	-	-	2,280,399
Bond Reserves	15,000	-	-	-	322,123	-	-	337,123
Landfill Postclosure	89,261	-	-	-	-	-	-	89,261
Drug Enforcement	231,453	-	-	-	-	-	-	231,453
Scholarships	685	-	-	-	-	-	-	685
Unreserved, Reported In:								
General Fund	4,051,276	-	-	-	-	-	-	4,051,276
Special Revenue Funds	-	1,410,241	949,315	-	1,115,346	-	1,513,664	4,988,566
Debt Service Fund	-	-	-	-	-	-	85,550	85,550
Capital Project Fund	-	-	-	-	-	2,181,886	-	2,181,886
Total Fund Balance	4,387,675	1,410,241	949,315	2,280,399	1,437,469	2,181,886	1,599,214	14,246,199
TOTAL LIABILITIES AND FUND BALANCE	4,775,000	1,410,241	954,121	2,280,399	1,437,469	2,181,886	1,599,214	14,638,330

The notes to the financial statements are an integral part of this statement.

SEVIER COUNTY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

December 31, 2005

Total Fund Balances - Governmental Fund Types	14,246,199
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	1,584,130	
Buildings	9,663,216	
Improvements	714,888	
Equipment	1,726,129	
Infrastructure	<u>24,029,082</u>	
Total - Net of Depreciation		37,717,445

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

G. O. Bonds Payable	(6,904,000)	
Revenue Bonds Payable	(5,214,600)	
Lease Obligations Payable	(185,634)	
Bond Interest Payable	(152,500)	
Bond Issuance Costs	143,445	
Bond Issuance Premium	(173,746)	
Compensated Absences	<u>(200,000)</u>	
Total		<u>(12,687,035)</u>

Net Assets of Government Activities	<u>39,276,609</u>
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SEVIER COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Year Ended December 31, 2005

	General Fund	Ambulance	Public Health	Class B Roads	Municipal Building Authority	Capital Project	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes	4,020,867	-	-	-	-	-	1,018,669	5,039,536
Licenses and Permits	181,550	-	-	-	-	-	-	181,550
Intergovernmental	1,552,099	11,060	3,444,353	862,106	-	-	194,502	6,064,120
Charges for Services	1,676,758	726,566	693,221	-	197,623	-	295,277	3,589,445
Fines and Forfeitures	550,734	-	-	-	-	-	-	550,734
Interest	132,609	33,474	20,633	60,880	31,236	71,414	60,067	410,313
Miscellaneous	201,274	238	10,162	422	17,328	-	4,211	233,635
Total Revenues	8,315,891	771,338	4,168,369	923,408	246,187	71,414	1,572,726	16,069,333
Expenditures:								
Current:								
General Government	2,417,550	-	-	-	143,907	73,007	-	2,634,464
Public Safety	4,258,100	-	-	-	-	-	264,296	4,522,396
Public Health	149,738	440,160	4,103,248	-	-	-	20,000	4,713,146
Highways and Public Improvements	139,977	-	-	572,175	-	-	339,405	1,051,557
Parks and Recreation	340,642	-	-	-	-	-	-	340,642
Economic Development	70,784	-	-	-	-	-	-	70,784
Debt Service:								
Principal	73,726	-	-	-	236,000	-	292,000	601,726
Interest	-	-	-	-	123,794	-	297,081	420,875
Capital Outlay	285,673	116,410	-	190,610	-	-	-	592,693
Total Expenditures	7,736,190	556,570	4,103,248	762,785	503,701	73,007	1,212,782	14,948,283
Excess Revenues Over (Under) Expenditures	579,701	214,768	65,121	160,623	(257,514)	(1,593)	359,944	1,121,050
Other Financing Sources (Uses):								
Transfers In	132,000	-	-	-	408,000	-	-	540,000
Transfers Out	(431,000)	(120,000)	-	-	-	-	(14,000)	(565,000)
Total Other Financing	(299,000)	(120,000)	-	-	408,000	-	(14,000)	(25,000)
Net Change In Fund Balance	280,701	94,768	65,121	160,623	150,486	(1,593)	345,944	1,096,050
Fund Balance - Beginning	4,106,974	1,315,473	884,194	2,119,776	1,286,983	2,183,479	1,253,270	13,150,149
Fund Balance - Ending	4,387,675	1,410,241	949,315	2,280,399	1,437,469	2,181,886	1,599,214	14,246,199

The notes to the financial statements are an integral part of this statement.

SEVIER COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	1,096,050
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	592,693	
Depreciation	<u>(967,363)</u>	
Total		(374,670)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to increase net assets:

Loss on Trade In of Fixed Assets	(69,147)
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The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal Payments on Bonds	558,700	
Lease Obligation Payments	43,026	
Bond Issuance Costs Amortized	(7,172)	
Amortization of Bond Premium	<u>8,687</u>	
Total		603,241

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Bond Interest Payable	(24,170)	
Compensated Absences	<u>(9,162)</u>	
Total		<u>(33,332)</u>

Changes In Net Assets of Governmental Activities	<u><u>1,222,142</u></u>
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**SEVIER COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

December 31, 2005

	<u>Business-Type Activity Enterprise Fund</u>
	<u>Landfill</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	<u>1,350,805</u>
Total Current Assets	<u>1,350,805</u>
Noncurrent Assets:	
Investments - Restricted:	
Landfill Postclosure	89,261
Capital Assets: (Net of Accumulated Depreciation)	
Buildings	232,477
Improvements Other Than Buildings	234,912
Equipment	<u>185,722</u>
Total Noncurrent Assets	<u>742,372</u>
TOTAL ASSETS	<u><u>2,093,177</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	10,035
Accrued Liabilities - Postclosure	40,000
Bond Interest Payable	16,000
Bonds Payable - Current Portion	<u>58,000</u>
Total Current Liabilities	<u>124,035</u>
Noncurrent Liabilities:	
Bonds Payable - Long-Term Portion	<u>895,000</u>
TOTAL LIABILITIES	<u>1,019,035</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	(315,889)
Restricted for Landfill Postclosure	89,261
Unrestricted	<u>1,300,770</u>
TOTAL NET ASSETS	<u>1,074,142</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2,093,177</u></u>

The notes to the financial statements are an integral part of this statement.

SEVIER COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

December 31, 2005

	Business-Type Activity <u>Enterprise Fund</u>
	<u>Landfill</u>
Operating Revenues:	
Charges for Sales and Services:	
Landfill Fees	<u>601,415</u>
Operating Expenses:	
Costs of Sales and Services	444,903
Depreciation	<u>131,113</u>
Total Operating Expenses	<u>576,016</u>
Operating Income	<u>25,399</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	42,328
Interest Expense	<u>(24,295)</u>
Total Nonoperating Revenues (Expenses)	<u>18,033</u>
Income Before Transfers	43,432
Transfers In	<u>25,000</u>
Change in Net Assets	68,432
Total Net Assets - Beginning	<u>1,005,710</u>
Total Net Assets - Ending	<u><u>1,074,142</u></u>

The notes to the financial statements are an integral part of this statement.

**SEVIER COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

December 31, 2005

	Business-Type Activity Enterprise Fund
	<u>Landfill</u>
Cash Flows From Operating Activities:	
Receipts From Customers	601,415
Payments to Suppliers	(283,098)
Payments to Employees	<u>(146,700)</u>
Net Cash Provided by Operating Activities	<u>171,617</u>
Cash Flows from Noncapital Financing Activities:	
Transfer From Other Funds	<u>25,000</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>25,000</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	(56,000)
Interest Paid on Capital Debt	<u>(24,296)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(80,296)</u>
Cash Flows from Investing Activities:	
Interest Received	42,329
Purchase of Equipment	<u>(22,515)</u>
Net Cash Provided (Used) by Investing Activities	<u>19,814</u>
Net Increase (Decrease) in Cash and Cash Equivalents	136,135
Cash and Cash Equivalents - Beginning	<u>1,303,931</u>
Cash and Cash Equivalents - Ending	<u><u>1,440,066</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	<u>25,399</u>
Adjustments to Reconcile Operating Income to Net Cash Provided Provided (Used) By Operating Activities:	
Depreciation	131,113
Increase (Decrease) in Operating Assets:	
Accrued Liabilities	16,035
Bond Interest Payable	<u>(930)</u>
Total Adjustments	<u>146,218</u>
Net Cash Provided (Used) by Operating Activities	<u><u>171,617</u></u>

The notes to the financial statements are an integral part of this statement.

**SEVIER COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND**

December 31, 2005

ASSETS:

Cash and Investments	546,402
Taxes Receivable	<u>128,025</u>
TOTAL ASSETS	<u><u>674,427</u></u>

LIABILITIES:

Collections Payable	57,197
Due to Taxing Units	<u>617,230</u>
TOTAL LIABILITIES	<u><u>674,427</u></u>

**SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Sevier County have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended December 31, 2005.

A. Reporting Entity

For financial reporting purposes, Sevier County has included all funds. The County has also considered all potential component units for which it is financially accountable and that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

As required by generally accepted accounting principles, these basic financial statements present Sevier County (the primary government) and its component unit. The component unit is included in the County's reporting entity because of the significance of its operational or financial relationships with the County. Complete financial statements of the individual component unit, that issued separate financial statements, can be obtained from the Sevier County Auditor's office.

Blended Component Unit:

On March 5, 1992, the County established by resolution a building authority for the purpose of, but not limited to, acquiring, leasing, constructing, furnishing, maintaining or operating a jail building and related facilities, and to acquire or lease land required for or related to these purposes. The governing board of the Building Authority is the County Commission. The Building Authority is accounted for in a special revenue fund.

Discrete Component Unit:

This component unit is an entity which is legally separate from the County, but is financially accountable to the County or whose relationships with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The County must approve their tax rates and debt. The County could also take away their operating authority and could dissolve the district. This district was organized under the State of Utah's Statute for special service districts, Section 17A-2-1300. The component unit column of the combined financial statements includes the financial data of the following entity:

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- * Sevier County Special Service District #1 (Governmental Fund Type) - This special service district was organized under the State of Utah's Statute for Special Service Districts, by the adoption of a resolution to establish a special service district by the Sevier County Commissioners on February 20, 1989 for the purpose of improving the County road system in Sevier County. The special service district's administrative Control Board consists of three (3) members, each of whom was appointed by the Board of Commissioners. The Board of Commissioners appointed the initial one member to serve a two year term and the remaining two members to serve four year terms. The board members, at their initial meeting, elected a chairperson and a secretary to serve such terms as the board shall determine. A copy of the annual report can be obtained at the Sevier County Auditor's office, Richfield, Utah.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Sevier County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Ambulance Fund receives funding from ambulance fees charged to ambulance users and expends the monies on appropriate ambulance expenditures.

The Public Health Fund administers the public health programs in the six county area. Their revenues and expenditures are restricted to those purposes.

The B Road Fund receives funding from the State Department of Transportation to be expended on eligible B Roads in the County.

The Municipal Building Authority accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The Government also reports the following Other Governmental Funds:

Recreational Facility Tax, Narcotics Task Force, E-911, Transient Room Tax, and Debt Service. These funds account for revenue sources that are restricted to expenditures for specific purposes.

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Government reports the following Proprietary Funds:

The Landfill Fund accounts for the activities of the County Landfill operation. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Landfill are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally the Government reports the following fund type:

The Treasurer's Tax Collection Agency Fund is used to account for taxes collected by the County Treasurer but not paid as of December 31 to the taxing entities within the County.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5 Years

Public Health:

It is the Public Health's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements.

Other County Employees:

It is the County's policy to permit employees to accumulate earned but unused vacation, holiday and comp time benefits. All compensated absences are accrued when incurred in the government-wide financial statements.

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes:

Property taxes are assessed and collected for the County by Beaver County and remitted to the County shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable November 1, and are delinquent after November 30. All dates are in the year of levy.

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the County Auditor and County Commissioners on or before December 15 for the following fiscal year beginning January 1. Estimated revenues and appropriations may be increased or decreased by resolution of the County Commissioners at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the County's budgetary control (the level at which the County's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. The maximum in the General Fund may not exceed 50% of the General Fund's total revenue.

Once adopted, the budget may be amended by the County Commissioners without a public hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Commissioners, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds, except the deferred compensation trust fund. Each fund types portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year-end the carrying amount of the County's deposits was \$1,516,375 and the bank balance was \$1,605,305. Of the bank balance, \$100,000 was covered by federal depository insurance. State statutes do not require collateral to be pledged for deposits. Cash on hand was \$400. At year end the carrying amounts of the component units deposits were \$0, and the bank balances were \$0. Of the bank balances \$0 was covered by Federal Depository Insurance.

Primary Government:

Cash and investments as of December 31, 2005, consist of the following:

	<u>Fair Value</u>
Cash On Hand	400
Demand Deposits	1,516,375
Investments - PTIF	12,280,664
Landfill Trust Account	89,261
Escrow Accounts	322,123
Repurchase Agreements	<u>1,438,984</u>
Total Cash and Investments	<u><u>15,647,807</u></u>

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	10,722,418
Governmental Activities - Restricted	2,938,921
Business-Type Activities - Unrestricted	1,350,805
Business-Type Activities - Restricted	89,261
Fiduciary Fund	<u>546,402</u>
Total Cash and Cash Equivalents	<u><u>15,647,807</u></u>

Component Units:

Cash and investments as of December 31, 2005, consist of the following:

	<u>Fair Value</u>
Zions Bank - Repurchase Agreements	1,015,371
Investments - PTIF	<u>52</u>
Total Cash and Investments	<u><u>1,015,423</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	568,471
Governmental Activities - Restricted	<u>446,952</u>
Total Cash and Cash Equivalents	<u><u>1,015,423</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that County funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

**SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2005, \$1,505,305 of the local government's bank balances of \$1,605,305 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2005, the local governments has investments of \$12,280,664 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - DUE FROM OTHER GOVERNMENT UNITS

Public Health:

Accounts receivable in the Public Health Special Revenue fund represents payments due on contracts with the State of Utah in the amount of \$226,714.

Class B Road:

The receivable for Class B Roads includes the 4th quarter allocation from the State of Utah in the amount of \$160,678. In addition, forest reserve monies are due in the amount of \$27,528.

Other Grants:

Other miscellaneous grants amounted to \$29,478.

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2005, was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	274,450	-	-	274,450
Land Related to Roads	1,309,680	-	-	1,309,680
Infrastructure	<u>24,029,082</u>	<u>-</u>	<u>-</u>	<u>24,029,082</u>
 Total Capital Assets Not Being Depreciated	 <u>25,613,212</u>	 <u>-</u>	 <u>-</u>	 <u>25,613,212</u>
 Capital Assets Being Depreciated:				
Buildings	12,631,896	-	-	12,631,896
Improvements	1,003,817	-	-	1,003,817
Equipment	<u>6,177,045</u>	<u>592,693</u>	<u>364,429</u>	<u>6,405,309</u>
 Total Capital Assets Being Depreciated	 <u>19,812,758</u>	 <u>592,693</u>	 <u>364,429</u>	 <u>20,041,022</u>
 Less Accumulated Depreciation For:				
Buildings	2,686,032	282,648	-	2,968,680
Improvements	263,019	25,910	-	288,929
Equipment	<u>4,315,657</u>	<u>658,805</u>	<u>295,282</u>	<u>4,679,180</u>
 Total Accumulated Depreciation	 <u>7,264,708</u>	 <u>967,363</u>	 <u>295,282</u>	 <u>7,936,789</u>
 Total Capital Assets Being Depreciated (Net)	 <u>12,548,050</u>	 <u>(374,670)</u>	 <u>69,147</u>	 <u>12,104,233</u>
 Governmental Activities Capital Assets, Net	 <u><u>38,161,262</u></u>	 <u><u>(374,670)</u></u>	 <u><u>69,147</u></u>	 <u><u>37,717,445</u></u>

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Buildings	297,822	-	-	297,822
Improvements	494,912	-	-	494,912
Equipment	<u>1,678,189</u>	<u>22,515</u>	<u>-</u>	<u>1,700,704</u>
 Total Capital Assets Being Depreciated	<u>2,470,923</u>	<u>22,515</u>	<u>-</u>	<u>2,493,438</u>
Less Accumulated Depreciation For:				
Buildings	58,551	6,794	-	65,345
Improvements	235,254	24,746	-	260,000
Equipment	<u>1,415,409</u>	<u>99,573</u>	<u>-</u>	<u>1,514,982</u>
 Total Accumulated Depreciation	<u>1,709,214</u>	<u>131,113</u>	<u>-</u>	<u>1,840,327</u>
 Total Capital Assets Being Depreciated (Net)	<u>761,709</u>	<u>(131,113)</u>	<u>-</u>	<u>653,111</u>
 Business Type Activities Capital Assets, Net	<u>761,709</u>	<u>(131,113)</u>	<u>-</u>	<u>653,111</u>

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	368,612	-	368,612
Public Safety	237,076	-	237,076
Public Health	153,046	131,113	284,159
Highways and Public Improvements	187,193	-	187,193
Parks and Recreation	18,918	-	18,918
Economic Development	<u>2,518</u>	<u>-</u>	<u>2,518</u>
 Total Depreciation Expense	<u>967,363</u>	<u>131,113</u>	<u>1,098,476</u>

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 5 - LONG-TERM DEBT

Governmental Activities:

Sevier County Public Health Services Revenue Bonds, Series 1991:

During 1991 Sevier County issued 357,500 of Public Health revenue bonds, which were purchased by the State of Utah Community Impact Board, for the purpose of constructing a facility for the Central Utah Public Health Department. The bonds require annual payments of \$14,000 to \$15,000 per year with no interest. The bonds are payable from rents from the Central Utah Public Health Department and not from charges against the County's general credit or taxing powers.

The following is summary of Debt Service charges to maturity:

	<u>Principal</u>
2006	14,000
2007	14,000
2008	14,000
2009	14,000
2010	14,000
2011 - 2015	75,000
2016 - 2020	<u>16,000</u>
Total	<u><u>161,000</u></u>

Building Authority - Parity Lease Revenue Bonds, series 1994B:

On May 31, 1994, the Sevier County Municipal Building Authority issued \$2,130,000 of Parity Lease Revenue Bonds, Series 1994B, to the State of Utah Permanent Community Impact Board. The bonds carry an interest rate of 3%.

The following is summary of Debt Service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
February 1 of			
2006	106,000	-	106,000
2007	106,000	-	106,000
2008	93,000	31,950	124,950
2009	96,000	29,160	125,160
2010	99,000	29,160	128,160
2011 - 2015	538,000	85,260	623,260
2016 - 2020	<u>239,000</u>	<u>10,800</u>	<u>249,800</u>
Total	<u><u>1,277,000</u></u>	<u><u>186,330</u></u>	<u><u>1,463,330</u></u>

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 5 - LONG-TERM DEBT (CONTINUED)

2004 Lease Revenue Refunding Bonds:

Sevier County issued \$3,715,000 of Lease Revenue Refunding Bonds to refund \$3,748,331 of the 1995 USDA Rural Development Revenue Bonds issued in the amount of \$4,400,000. As a result the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column in the statement of net assets. The reacquisition price was less than the net carrying amount of the old debt by \$33,331. The advance refunding was undertaken to reduce the total debt service payments over the next 18 years by \$451,391 and resulted in an economic gain of \$296,753.

The following is a summary of debt service charges to maturity for the lease revenue bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	130,000	145,580	275,580
2007	135,000	142,330	277,330
2008	135,000	138,955	273,955
2009	140,000	135,580	275,580
2010	145,000	132,080	277,080
2011 - 2015	775,000	594,436	1,369,436
2016 - 2020	960,000	412,000	1,372,000
2021 - 2025	<u>1,055,000</u>	<u>147,250</u>	<u>1,202,250</u>
Total	<u><u>3,475,000</u></u>	<u><u>1,848,211</u></u>	<u><u>5,323,211</u></u>

CIB Bonds Payable - Animal Shelter:

The County obtained financing from the Community Impact Board to partially fund the construction of a new animal shelter in Sevier County. The loan requires yearly payments of \$16,700 for 10 years and \$16,800 for 10 years with no interest. The balance of the loan at year end was \$301,600.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>
2006	16,700
2007	16,700
2008	16,700
2009	16,700
2010	16,700
2011 - 2015	83,600
2016 - 2020	84,000
2021 - 2025	<u>50,500</u>
Total	<u><u>301,600</u></u>

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Special Events Center - General Obligation Bonds:

On November 7, 2000, a special bond election was approved for the issuance of \$8,000,000 principal amount of general obligation bonds for the purpose of, among other things, paying all or part of Sevier County's share of the costs of acquiring, constructing, improving, extending, equipping and furnishing an educational and multipurpose facility to be located on the campus of Snow College South in Richfield, Utah, such facility to be owned by Snow College and jointly used by Sevier County, Snow College South and the Board of Education of Sevier School District and for the purpose of refunding bonds authorized hereunder at or prior to the maturity thereof.

The following is a summary of debt service charges to maturity:

Issue 2001A:

		(Various Rates)	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	145,000	166,655	311,655
2007	150,000	160,680	310,680
2008	160,000	153,725	313,725
2009	170,000	145,595	315,595
2010	180,000	136,845	316,845
2011 - 2015	1,050,000	544,900	1,594,900
2016 - 2020	1,335,000	254,863	1,589,863
2021 - 2025	<u>310,000</u>	<u>7,905</u>	<u>317,905</u>
Total	<u>3,500,000</u>	<u>1,571,168</u>	<u>5,071,168</u>

Issue 2001B:

	<u>Principal</u>	<u>3.50% Interest</u>	<u>Total</u>
2006	162,000	118,965	280,965
2007	169,000	113,050	282,050
2008	174,000	106,960	280,960
2009	180,000	100,660	280,660
2010	187,000	94,115	281,115
2011 - 2015	1,033,000	364,595	1,397,595
2016 - 2020	1,227,000	163,870	1,390,870
2021 - 2025	<u>272,000</u>	<u>5,495</u>	<u>277,495</u>
Total	<u>3,404,000</u>	<u>1,067,710</u>	<u>4,471,710</u>

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity for the Special Events Center:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	307,000	285,620	592,620
2007	319,000	273,730	592,730
2008	334,000	260,685	594,685
2009	350,000	246,255	596,255
2010	367,000	230,960	597,960
2011 - 2015	2,083,000	909,495	2,992,495
2016 - 2020	2,562,000	418,733	2,980,733
2021 - 2025	582,000	13,400	595,400
Total	<u>6,904,000</u>	<u>2,638,878</u>	<u>9,542,878</u>

Equipment Lease:

During the 2003 year the County obtained a lease in the amount of \$270,411 for the purchase of equipment for the Sevier Valley Center. The terms of the lease call for yearly payments of \$50,000 including interest at 3.05%.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	44,338	5,662	50,000
2007	45,691	4,309	50,000
2008	47,084	2,916	50,000
2009	48,520	1,480	50,000
Total	<u>185,633</u>	<u>14,367</u>	<u>200,000</u>

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges for governmental activities to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	618,038	436,862	1,054,900
2007	636,391	420,410	1,056,801
2008	639,784	434,506	1,074,290
2009	665,220	412,475	1,077,695
2010	769,600	402,430	1,172,030
2011 - 2015	3,510,000	1,589,191	5,099,191
2016 - 2020	3,828,200	833,707	4,661,907
2021 - 2025	1,637,000	160,650	1,797,650
Total	<u>12,304,233</u>	<u>4,690,231</u>	<u>16,994,464</u>

Business Type Activities:

Landfill Revenue Bonds:

On May 5, 1994, Sevier County issued \$1,500,000 of Revenue Bonds for the purpose of providing funds to finance the cost of construction of County Landfill improvements, including access roads and site development. The terms of the loan include interest at a rate of 2.5%.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1 of			
2006	58,000	23,825	81,825
2007	59,000	22,375	81,375
2008	61,000	20,900	81,900
2009	62,000	19,375	81,375
2010	64,000	17,825	81,825
2011 - 2015	342,000	64,450	406,450
2016 - 2020	307,000	19,400	326,400
Total	<u>953,000</u>	<u>188,150</u>	<u>1,141,150</u>

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in long-term debt as of December 31, 2005:

	Date of Issue	Interest Rate	Total Issued	Outstanding December 31, 2004	Current Year Changes		Outstanding December 31, 2005
					Additions	Retirements	
Governmental Activities:							
PCIB Public Health Bldg. Revenue Bonds	1991	0%	357,500	175,000	-	14,000	161,000
Building Authority:							
Public Safety Building:							
PCIB Lease Revenue Bonds	1994	3%	2,130,000	1,383,000	-	106,000	1,277,000
Zions Bank Refunding Bonds	2004	0%	3,715,000	3,605,000	-	130,000	3,475,000
CIB Animal Shelter Lease Revenue Bond	2002	0%	335,000	318,300	-	16,700	301,600
Special Events Center:							
General Obligation Bonds - 2001A	2001	5.25%	4,000,000	3,635,000	-	135,000	3,500,000
General Obligation Bonds - 2001B	2001	3.50%	4,000,000	3,561,000	-	157,000	3,404,000
Equipment Lease Purchase	2003	3.05%	270,411	228,659	-	43,026	185,633
Total Bonds - Governmental			14,807,911	12,905,959	-	601,726	12,304,233
Bonds Costs of Refunding			(157,789)	(150,617)	-	(7,172)	(143,445)
Bond Premium on Refunding			191,120	182,433	-	8,687	173,746
Total Governmental Activities			14,841,242	12,937,775	-	603,241	12,334,534
Business Type Activities:							
Zions Bank Landfill Revenue Bonds	1994	2.5%	1,500,000	1,009,000	-	56,000	953,000
Total Business Type Activities			1,500,000	1,009,000	-	56,000	953,000
Grand Total			16,341,242	13,946,775	-	659,241	13,287,534

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Compensated Absences:

As of December 31, 1995, the County personnel policy states that accrued vacation and comp time can be carried over to the next year but sick pay is forfeited upon the termination of an employee.

The following summary shows the compensated absences as determined for the County and Public Health:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Sevier County	124,751	3,772	-	128,523
Public Health	<u>66,088</u>	<u>5,389</u>	<u>-</u>	<u>71,477</u>
	<u>190,839</u>	<u>9,161</u>	<u>-</u>	<u>200,000</u>

NOTE 6 - CLOSURE AND POSTCLOSURE CARE COST - MUNICIPAL SOLID WASTE LANDFILL

State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an expenditure in the Landfill Special Revenue Fund each period based on landfill capacity used as of each balance sheet date. The \$40,000 reported as landfill closure and postclosure care liability at December 31, 2005, represents the cumulative amount reported to date based on the use of 23% of the estimated capacity of the land fill. The County will recognize the remaining estimated cost of closure and postclosure care of \$60,000 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. The County expects to close the landfill in the year 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by State and Federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements, and, at December 31, 2005, investments of \$89,261 are held for these purposes. These are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended December 31, 2005

NOTE 7 - SPECIAL REVENUE FUNDS

Public Health Fund:

This Special Revenue Fund administers the public health programs in the Six County area.

The following is a statement of changes in the Public Health fund:

Revenue:

Federal Revenues	1,073,729
State Contracts	595,992
County Participation	328,204
School Contracts	143,920
Fees	693,221
WIC Food Vouchers	1,174,550
Childhood Immunization Vaccines	127,958
Interest	20,633
Other Revenues	<u>10,162</u>

Total Revenue	<u>4,168,369</u>
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Expenditures:

Current:

Salaries and Wages	1,291,785
Fringe Benefits	793,649
Travel	152,135
Office Expense	102,647
Drug/Medical Supplies	173,294
Operating Expenses	154,903
Other Expenses	132,327
WIC Food Vouchers	1,174,550
Childhood Immunization Vaccines	<u>127,958</u>

Total Expenditures	<u>4,103,248</u>
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Excess of Revenues Over (Under) Expenditures	65,121
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Fund Balance - Beginning of Year	<u>884,194</u>
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Fund Balance - End of Year	<u><u>949,315</u></u>
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SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended December 31, 2005

NOTE 7 - SPECIAL REVENUE FUNDS (CONTINUED)

Ambulance Fund:

The following is a statement of changes in the Ambulance fund:

Revenue:	
State Grant	11,060
Ambulance Revenues	726,566
Interest Revenue	33,474
Other	<u>238</u>
Total Revenue	<u>771,338</u>
Expenditures:	
Current:	
Permanent Employees	95,293
Part Time Employees	123,077
Benefits	69,938
Travel	1,435
Office Supplies	3,240
Supplies and Maintenance	37,377
Building and Grounds	6,861
Telephone	6,169
Professional and Technical	19,993
Insurance	4,196
Medical Supplies	24,107
Miscellaneous	13,705
Training	39,067
Capital Outlay:	
Equipment	<u>112,112</u>
Total Expenditures	<u>556,570</u>
Excess of Revenues Over (Under) Expenditures	214,768
Other Financing Sources (Uses):	
Transfer to General Fund	(120,000)
Fund Balance - Beginning of Year	<u>1,315,473</u>
Fund Balance - End of Year	<u><u>1,410,241</u></u>

**SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

For The Year Ended December 31, 2005

NOTE 7 - SPECIAL REVENUE FUNDS (CONTINUED)

Building Authority:

The following is a statement of changes in the Building Authority:

Revenue:	
Lease Revenue	248,621
Interest Revenue	18,431
Sundry	<u>39,878</u>
Total Revenue	<u>306,930</u>
Expenditures:	
Current:	
General Government	43,064
Debt Service:	
Principal	428,000
Interest	<u>144,484</u>
Total Expenditures	<u>615,548</u>
Excess of Revenues Over (Under) Expenditures	<u>(308,618)</u>
Other Financing Sources (Uses):	
Transfer from General Fund	<u>408,000</u>
Total Other Financing Sources (Uses)	<u>408,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	99,382
Fund Balance - Beginning of Year	<u>1,187,601</u>
Fund Balance - End of Year	<u><u>1,286,983</u></u>

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 8 - CLASS B ROAD - RESERVED FUND BALANCE

The following is a statement of changes in Class B Roads - Reserved Fund Balance:

Revenues:	
State Allotments	834,579
Forest Reserve	27,527
Interest	60,880
Other Revenue	<u>422</u>
Total Revenues	<u>923,408</u>
Expenditures	<u>762,785</u>
Excess of Revenues Over (Under) Expenditures	160,623
Balance - Beginning of Year	<u>2,119,776</u>
Balance - End of Year	<u><u>2,280,399</u></u>

NOTE 9 - CAPITAL PROJECTS FUND

The following is a statement of changes in the Capital Projects Fund:

Revenue:	
Interest Revenue	<u>71,414</u>
Expenditures:	
Capital Outlay	<u>73,007</u>
Excess of Revenues Over (Under) Expenditures	(1,593)
Balance - Beginning of Year	<u>2,183,479</u>
Balance - End of Year	<u><u>2,181,886</u></u>

**SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

For The Year Ended December 31, 2005

NOTE 10 - ENTERPRISE FUNDS

Landfill:

The following is a statement of changes in the Landfill:

Revenue:	
Charges for Services	595,046
Sundry	6,369
Interest	<u>42,328</u>
Total Revenue	<u>643,743</u>
Expenditures:	
Current:	
Salaries and Wages	146,700
Benefits	74,590
Supplies and Maintenance	123,395
Professional and Technical	19,099
Insurance	4,196
Telephone	866
Postclosure Costs	6,000
Other	77,133
Capital Outlay:	
Equipment	15,439
Debt Service:	
Principal	56,000
Interest	<u>25,225</u>
Total Expenditures	<u>548,643</u>
Excess of Revenues Over (Under) Expenditures	95,100
Other Financing Sources (Uses):	
Transfer In	25,000
Fund Balance - Beginning of Year	<u>1,269,931</u>
Fund Balance - End of Year	<u><u>1,390,031</u></u>
Reconciliation to Total Net Assets - Ending:	
Fund Balance - End of Year	1,390,031
Capital Assets (Net of Accumulated Depreciation)	653,111
Less: Long-Term Debt	(953,000)
Accrued Bond Interest Payable	<u>(16,000)</u>
Total Net Assets Per Statement of Net Assets	<u><u>1,074,142</u></u>

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 9 - TRANSFERS

<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	132,000	431,000
Ambulance	-	120,000
Transient Room Tax	43,000	-
Recreation	-	45,000
E-911	-	12,000
Building Authority	408,000	-
Landfill	<u>25,000</u>	<u>-</u>
	<u>608,000</u>	<u>608,000</u>

Transfers were made for the following purposes:

- * The General Fund transferred \$408,000 to the Building Authority for debt service payments.
- * The General Fund transferred \$23,000 to the Transient Room Tax Fund for economic development.
- * The Ambulance Fund transferred \$120,000 to the General Fund to cover certain expenses related to health care.
- * The Recreation Facility Tax Fund transferred \$20,000 to the Transient Room Tax Fund for promotion of economic development in the County.
- * The Recreation Facility Tax Fund transferred \$25,000 to the Landfill Fund to offset costs of increased usage at the landfill from recreational activities.
- * The E-911 Fund transferred \$12,000 to the General Fund to cover expenditures relating to public safety.

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 10 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in the Utah Association of Counties Insurance Mutual, a self-funded risk financing pool administered by the Utah Association of Counties. Through the Mutual, the County maintains general liability, errors and omissions, flood, earthquake, newly acquired property, builders risk, unscheduled locations, and crime. The Mutual is reinsured through commercial companies in excess of \$150,000 for property to a limit of \$50,000,000 and \$250,000 for liability to a limit of \$750,000 with a combined excess aggregate of \$1,000,000 to 1,350,000. The Mutual does not provide coverage for all risks and hazards, however, the County has obtained coverage for these risks through other commercial carriers for employee accidental death and dismemberment, workers compensation, and surety bond coverage.

Claims have not exceeded coverage in any of the last three calendar years.

NOTE 11 - PENSION PLAN

Local Governmental - Cost Sharing

Plan Description:

Sevier County contributes to the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System and Public Safety Other Division A Noncontributory Retirement System for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the system to which they belong; 6.00% to the Contributory Retirement System. Sevier County is required to contribute a percent of covered salary to the respective systems, 7.08% to the Contributory, 11.09% to the Noncontributory and 19.34% to the Public Safety Other Division A Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 11 - PENSION PLAN (CONTINUED)

Sevier County contributions to the various systems for the years ending December 31, 2005, 2004 and 2003 respectively were; for the Contributory System, \$5,797.74, \$5,358.99 and \$4,720.79; for the Noncontributory System, \$173,342.14, \$156,184.86 and \$131,400.28; and for the Public Safety Other Division A Noncontributory, \$280,358.64, \$242,516.22 and \$203,201.07 respectively. The contributions were equal to the required contributions for each year.

NOTE 12 - SUBSEQUENT EVENTS

Lease Revenue Bonds Issued:

On January 9, 2006, the County issued Lease Revenue Bonds in the amount of \$2,800,000 for the purpose of renovating the Sevier County Administration Building and adjacent jail structure and related improvements. The bonds were sold to the State of Utah Community Impact Board. The bonds are interest free and require principal payments of \$93,000 for 20 years and \$94,000 for 10 years with payments due on July 1st of each year.

The following a summary of debt service payments to maturity:

	<u>Principal</u>
2006	-
2007	93,000
2008	93,000
2009	93,000
2010	93,000
2011 - 2015	465,000
2016 - 2020	465,000
2021 - 2025	465,000
2026 - 2030	469,000
2031 - 2035	470,000
2036	<u>94,000</u>
Total	<u><u>2,800,000</u></u>

Administration Building Fire:

During 2006 the Sevier County Administration Building caught fire and the smoke damage required the County to move the employees to different locations throughout the City. The County's insurance will cover the cost of remodeling the courthouse building.

SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2005

NOTE 13 - CONDENSED FINANCIAL STATEMENTS - DISCRETELY PRESENTED COMPONENT UNITS

Sevier County has one component unit that is a governmental fund type and is described below:

Governmental Fund Types:

Sevier County Special Service District #1 - The purpose of the District is to improve the County road system in Sevier County.

Condensed information for the Governmental Fund Types for the year ended December 31, 2005, is as follows:

	<u>Sevier County Special Service District #1</u>
Condensed Statement of Net Assets:	
Current Assets	<u>1,034,091</u>
Current Liabilities	261,006
Net Assets	<u>773,085</u>
 Total Liabilities and Net Assets	 <u>1,034,091</u>
 Condensed Statement of Revenues, Expenditures and Changes in Net Assets:	
Revenues	2,152,558
Current Expenditures	(27,122)
Capital Outlay	<u>(1,775,946)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	 <u>349,490</u>

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**SEVIER COUNTY
CONDITION RATING OF THE COUNTY'S ROAD SYSTEM**

For The Year Ended December 31, 2005

Percentage of Lane-Miles in Good or Better Condition:

	Percentage				
	2001	2002	2003	2004	2005
Paved	63	65	69	80	85
Gravel	61	60	64	70	75
Dirt	60	61	65	65	80
Overall System	61	62	66	70	80
Bridges	62	70	72	72	72

Percentage of Lane-Miles in Substandard Condition:

	Percentage				
	2001	2002	2003	2004	2005
Paved	14	14	12	10	8
Gravel	9	10	8	8	7
Dirt	11	12	9	10	8
Overall System	10	11	10	9	8
Bridges	11	7	5	7	7

Comparison of Needed-to-Actual Maintenance/Preservation - Roads and Bridges:

	2001	2002	2003	2004	2005
Estimated	2,050,000	1,932,000	1,850,000	1,500,000	850,000
Actual	2,000,000	1,400,000	1,834,000	1,382,000	800,000

The condition of road pavement is measured using the American...(AASHTO) pavement management system, which is based on stress factors found in pavement surfaces. The AASHTO pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good condition (70-100), fair condition (50-69), and substandard condition (less than 50). It is the County's policy to maintain at least 60 percent of its road system at a good or better condition level. No more than 15 percent should be in substandard condition. Condition assessments are determined every year.

The condition of the County's bridges is determined using its Bridge Management and Inspection Program (BMIP). The bridge condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1.0 (impaired or load restricted) to 7.0 (new). It is the County's policy to keep the number and square footage of deck area of bridges with a condition rating of 1.0 to 1.9 below 1 percent. All bridges are inspected every two years.

**SEVIER COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Budgetary Fund Balance, January 1	<u>4,106,974</u>	<u>4,106,974</u>	<u>4,106,974</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	1,750,000	1,750,000	1,845,607	95,607
Delinquent Prior Years Taxes	100,000	100,000	104,658	4,658
Assessing and Collecting Taxes	735,000	735,000	546,940	(188,060)
Fee-In-Lieu	400,000	400,000	449,811	49,811
Penalty and Interest	35,000	35,000	26,027	(8,973)
County Option Sales Tax	600,000	600,000	730,019	130,019
General Sales and Use Taxes	<u>300,000</u>	<u>300,000</u>	<u>317,805</u>	<u>17,805</u>
Total Taxes	<u>3,920,000</u>	<u>3,920,000</u>	<u>4,020,867</u>	<u>100,867</u>
Licenses and Permits:				
Business Licenses and Permits	156,000	156,000	178,385	22,385
Non-Business Licenses and Permits	<u>2,800</u>	<u>2,800</u>	<u>3,165</u>	<u>365</u>
Total Licenses and Permits	<u>158,800</u>	<u>158,800</u>	<u>181,550</u>	<u>22,750</u>
Intergovernmental Revenue:				
Federal Payments in Lieu of Taxes	960,000	960,000	994,781	34,781
Economic Development	62,683	62,683	14,610	(48,073)
State Grants	235,815	315,815	270,783	(45,032)
Emergency Services	7,500	7,500	149,660	142,160
Substance Abuse	-	-	19,480	19,480
State Liquor Allotment	<u>40,000</u>	<u>40,000</u>	<u>102,785</u>	<u>62,785</u>
Total Intergovernmental Revenue	<u>1,305,998</u>	<u>1,385,998</u>	<u>1,552,099</u>	<u>166,101</u>
Charges for Services:				
Recorder's Fees	140,000	151,000	167,045	16,045
Clerk's Fees	3,500	3,500	4,207	707
Bailiff Fees	20,000	20,000	18,049	(1,951)
Sheriff Contracts	150,000	150,000	203,454	53,454
Jail Services	1,200,000	1,200,000	1,236,484	36,484
Inspection Fees	10,000	10,000	10,035	35
Other	<u>45,500</u>	<u>45,500</u>	<u>37,484</u>	<u>(8,016)</u>
Total Charges for Services	<u>1,569,000</u>	<u>1,580,000</u>	<u>1,676,758</u>	<u>96,758</u>

**SEVIER COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows) Continued:				
Fines and Forfeitures:				
Justice Court Fines	460,000	460,000	550,734	90,734
Miscellaneous Revenue:				
Rents and Concessions	30,000	30,000	92,953	62,953
Economic Development Conferences	19,000	15,000	20,365	5,365
Sundry Revenues	40,000	44,000	87,956	43,956
Interest	50,000	50,000	132,609	82,609
Use of Surplus	587,811	651,411	-	(651,411)
Total Miscellaneous Revenue	726,811	790,411	333,883	(456,528)
Transfers	132,000	132,000	132,000	-
Total Resources (Inflows)	8,272,609	8,427,209	8,447,891	20,682
Amounts Available for Appropriation	12,379,583	12,534,183	12,554,865	20,682
Charges to Appropriations (Outflows):				
General Government:				
Commission	164,870	164,870	163,838	1,032
District Court	28,000	28,000	26,635	1,365
Justice Court	159,233	159,233	153,372	5,861
Public Defender	90,000	90,000	84,755	5,245
Microfilming	15,000	15,000	8,548	6,452
Clerk-Auditor	230,785	230,785	217,771	13,014
Treasurer	143,480	143,480	140,671	2,809
Recorder	240,141	251,141	236,629	14,512
Attorney	283,838	283,838	279,353	4,485
Assessor	289,047	289,047	275,658	13,389
Surveyor	13,000	19,500	19,371	129
Data Processing	76,186	76,186	71,308	4,878
GIS	108,250	108,250	2,307	105,943
Non-Departmental	275,421	331,421	495,679	(164,258)
Courthouse and Grounds	119,559	119,559	112,042	7,517
Elections	48,000	48,000	3,748	44,252
Building Inspection	204,532	204,532	198,111	6,421
Planning and Zoning	10,000	10,000	463	9,537
State Unemployment	10,000	10,000	5,125	4,875
Total General Government	2,509,342	2,582,842	2,495,384	87,458

**SEVIER COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows) Continued:				
Public Safety:				
Sheriff	1,642,465	1,601,465	1,541,083	60,382
Department 4212	-	45,000	43,136	1,864
Communications	55,270	55,270	54,296	974
Alcoholic Rehabilitation	335,637	335,637	293,056	42,581
Fire Contracts	196,000	196,000	189,810	6,190
County Jail	1,948,777	1,989,777	1,989,649	128
Animal Control	167,564	167,564	162,303	5,261
Emergency Services	206,465	206,465	194,188	12,277
Total Public Safety	<u>4,552,178</u>	<u>4,597,178</u>	<u>4,467,521</u>	<u>129,657</u>
Health and Public Welfare:				
Health Services	171,972	171,972	170,087	1,885
Public Welfare	3,000	3,000	1,950	1,050
Total Health and Public Welfare	<u>174,972</u>	<u>174,972</u>	<u>172,037</u>	<u>2,935</u>
Highway and Public Improvements:				
County Roads	38,000	38,000	22,318	15,682
Weed Control	37,800	37,800	30,865	6,935
Mosquito Control	59,015	94,015	92,294	1,721
Total Highways and Public Improvements	<u>134,815</u>	<u>169,815</u>	<u>145,477</u>	<u>24,338</u>
Parks, Recreation and Public Property:				
Recreation and Television	72,904	72,904	71,661	1,243
Bookmobile	53,500	54,600	54,527	73
Extension Services	81,171	81,171	78,900	2,271
Fairgrounds	91,272	91,272	89,134	2,138
County Fair	58,000	58,000	54,865	3,135
Total Parks, Recreation and Public Property	<u>356,847</u>	<u>357,947</u>	<u>349,087</u>	<u>8,860</u>

**SEVIER COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows) Continued:				
Conservation and Economic Development:				
Economic Development	<u>113,455</u>	<u>113,455</u>	<u>106,684</u>	<u>6,771</u>
Nondepartmental:				
Transfer Out	<u>431,000</u>	<u>431,000</u>	<u>431,000</u>	<u>-</u>
Total Charges to Appropriations	<u>8,272,609</u>	<u>8,427,209</u>	<u>8,167,190</u>	<u>260,019</u>
Budgetary Fund Balance - December 31	<u><u>4,106,974</u></u>	<u><u>4,106,974</u></u>	<u><u>4,387,675</u></u>	<u><u>280,701</u></u>

**SEVIER COUNTY
BUDGETARY COMPARISON SCHEDULE
AMBULANCE**

For The Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, January 1	<u>1,315,473</u>	<u>1,315,473</u>	<u>1,315,473</u>	<u>-</u>
Resources (Inflows):				
State Grants	-	-	11,060	11,060
Charges for Services	510,000	510,000	726,566	216,566
Interest Revenue	20,000	20,000	33,474	13,474
Miscellaneous	-	-	238	238
Fund Balance	<u>123,602</u>	<u>123,602</u>	<u>-</u>	<u>(123,602)</u>
Total Resources (Inflows)	<u>653,602</u>	<u>653,602</u>	<u>771,338</u>	<u>117,736</u>
Amounts Available for Appropriation	<u>1,969,075</u>	<u>1,969,075</u>	<u>2,086,811</u>	<u>117,736</u>
Charges to Appropriations (Outflows):				
Public Health	533,602	533,602	556,570	(22,968)
Transfer To General Fund	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Total Charges to Appropriations	<u>653,602</u>	<u>653,602</u>	<u>676,570</u>	<u>(22,968)</u>
Budgetary Fund Balance - December 31	<u><u>1,315,473</u></u>	<u><u>1,315,473</u></u>	<u><u>1,260,611</u></u>	<u><u>(54,862)</u></u>

**SEVIER COUNTY
BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH**

For The Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, January 1	<u>884,194</u>	<u>884,194</u>	<u>884,194</u>	<u>-</u>
Resources (Inflows):				
Intergovernmental	3,750,339	3,788,739	3,444,353	(344,386)
Charges for Services	568,500	615,231	703,383	88,152
Interest Earnings	-	-	20,633	20,633
Total Resources (Inflows)	<u>4,318,839</u>	<u>4,403,970</u>	<u>4,168,369</u>	<u>(235,601)</u>
Amounts Available for Appropriation	<u>5,203,033</u>	<u>5,288,164</u>	<u>5,052,563</u>	<u>(235,601)</u>
Charges to Appropriations (Outflows):				
Public Health	4,303,839	4,403,970	4,103,248	300,722
Capital Outlay	15,000	-	-	-
Total Charges to Appropriations	<u>4,318,839</u>	<u>4,403,970</u>	<u>4,103,248</u>	<u>300,722</u>
Budgetary Fund Balance - December 31	<u><u>884,194</u></u>	<u><u>884,194</u></u>	<u><u>949,315</u></u>	<u><u>65,121</u></u>

**SEVIER COUNTY
BUDGETARY COMPARISON SCHEDULE
CLASS B ROAD**

For The Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, January 1	<u>2,119,775</u>	<u>2,119,775</u>	<u>2,119,775</u>	<u>-</u>
Resources (Inflows):				
Intergovernmental	1,045,000	1,045,000	862,106	(182,894)
Interest	25,000	25,000	60,880	35,880
Miscellaneous	<u>329,544</u>	<u>329,544</u>	<u>422</u>	<u>(329,122)</u>
Total Resources (Inflows)	<u>1,399,544</u>	<u>1,399,544</u>	<u>923,408</u>	<u>(476,136)</u>
Amounts Available for Appropriation	<u>3,519,319</u>	<u>3,519,319</u>	<u>3,043,183</u>	<u>(476,136)</u>
Charges to Appropriations (Outflows):				
County Roads	1,124,544	1,124,544	566,594	557,950
Equipment	<u>275,000</u>	<u>275,000</u>	<u>196,191</u>	<u>78,809</u>
Total Charges to Appropriations	<u>1,399,544</u>	<u>1,399,544</u>	<u>762,785</u>	<u>636,759</u>
Budgetary Fund Balance - December 31	<u><u>2,119,775</u></u>	<u><u>2,119,775</u></u>	<u><u>2,280,398</u></u>	<u><u>160,623</u></u>

**SEVIER COUNTY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL BUILDING AUTHORITY**

For The Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, January 1	<u>1,286,983</u>	<u>1,286,983</u>	<u>1,286,983</u>	<u>-</u>
Resources (Inflows):				
Charges for Services	215,000	215,000	197,623	(17,377)
Interest Revenue	15,000	15,000	31,236	16,236
Miscellaneous	20,000	20,000	17,328	(2,672)
Transfers In	<u>408,000</u>	<u>408,000</u>	<u>408,000</u>	<u>-</u>
Total Resources (Inflows)	<u>658,000</u>	<u>658,000</u>	<u>654,187</u>	<u>(3,813)</u>
Amounts Available for Appropriation	<u>1,944,983</u>	<u>1,944,983</u>	<u>1,941,170</u>	<u>(3,813)</u>
Charges to Appropriations (Outflows):				
Operating Costs	40,000	40,000	143,907	(103,907)
Debt Service	<u>618,000</u>	<u>618,000</u>	<u>359,794</u>	<u>258,206</u>
Total Charges to Appropriations	<u>658,000</u>	<u>658,000</u>	<u>503,701</u>	<u>154,299</u>
Budgetary Fund Balance - December 31	<u><u>1,286,983</u></u>	<u><u>1,286,983</u></u>	<u><u>1,437,469</u></u>	<u><u>150,486</u></u>

SEVIER COUNTY

NOTE A

BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

For The Year Ended December 31, 2005

	General Fund	Ambulance	Public Health	Class B Road	Municipal Building Authority
Sources/Inflows and Resources: Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	12,554,865	2,086,811	5,052,563	3,043,183	1,941,170
Differences - Budget to GAAP: The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(4,106,974)	(1,315,473)	(884,194)	(2,119,775)	(1,286,983)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(132,000)	-	-	-	(408,000)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	8,315,891	771,338	4,168,369	923,408	246,187
Uses/Outflows of Resources: Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	8,167,190	676,570	4,103,248	762,785	503,701
Differences - Budget to GAAP: Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(431,000)	(120,000)	-	-	-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	7,736,190	556,570	4,103,248	762,785	503,701

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is used to assist in formatting, for easier reading)

**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES**

(This page contains no information and
is used to assist in formatting, for easier reading)

SEVIER COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

For The Year Ended December 31, 2005

	Balance December 31, 2004	Additions	Deletions	Balance December 31, 2005
<u>PROPERTY TAX FUND</u>				
ASSETS				
Cash	477,785	11,668,415	11,599,798	546,402
Taxes Receivable	<u>167,200</u>	<u>128,025</u>	<u>167,200</u>	<u>128,025</u>
TOTAL ASSETS	<u>644,985</u>	<u>11,796,440</u>	<u>11,766,998</u>	<u>674,427</u>
LIABILITIES				
Due to Taxing Units	558,349	11,550,713	11,491,832	617,230
Collections Payable	<u>86,636</u>	<u>78,503</u>	<u>107,942</u>	<u>57,197</u>
TOTAL LIABILITIES	<u>644,985</u>	<u>11,629,216</u>	<u>11,599,774</u>	<u>674,427</u>

**SEVIER COUNTY
NONMAJOR GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2005

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Recreational Facility Tax Fund:

This fund is used to account for taxes collected for the purpose of funding recreational activities in the County.

Narcotics Task Force Fund:

This fund is used to account for the activities of the narcotics task force in the County. These funds are restricted for providing law enforcement activities regarding illegal drug use in the County.

E-911 Fund:

This fund is used to account for monies collected on telephone bills for providing 911 emergency services in the County.

Transient Room Tax Fund:

This fund is used to account for room taxes collected within the County to fund the economic development activities of the County.

DEBT SERVICE FUNDS

Debt Service Fund:

This fund is used to account for monies received for the payment of long-term debt and to make those payments of principal and interest on that debt.

**SEVIER COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2005

	Recreational Facility Tax	Narcotics Task Force	E-911	Transient Room Tax	Debt Service	Nonmajor Government Funds
ASSETS						
Investments - Unrestricted	1,068,841	65,351	311,628	46,524	85,550	1,577,894
Due From Other Governmental Units	-	21,320	-	-	-	21,320
TOTAL ASSETS	<u>1,068,841</u>	<u>86,671</u>	<u>311,628</u>	<u>46,524</u>	<u>85,550</u>	<u>1,599,214</u>
LIABILITIES AND FUND BALANCES						
Liabilities	-	-	-	-	-	-
Fund Balances:						
Unreserved, Reported in:						
Debt Service Fund	-	-	-	-	85,550	85,550
Special Revenue Funds	<u>1,068,841</u>	<u>86,671</u>	<u>311,628</u>	<u>46,524</u>	-	<u>1,513,664</u>
Total Fund Balances	<u>1,068,841</u>	<u>86,671</u>	<u>311,628</u>	<u>46,524</u>	<u>85,550</u>	<u>1,599,214</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,068,841</u>	<u>86,671</u>	<u>311,628</u>	<u>46,524</u>	<u>85,550</u>	<u>1,599,214</u>

SEVIER COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended December 31, 2005

Revenues:	Recreational Facility Tax	Narcotics Task Force	E-911	Transient Room Tax	Debt Service	Nonmajor Government Funds
Taxes	177,758	-	-	220,646	620,265	1,018,669
Intergovernmental	-	193,502	-	1,000	-	194,502
Charges for Services	-	-	198,594	96,683	-	295,277
Interest	32,270	3,461	8,295	541	15,500	60,067
Fines and Forfeitures	-	3,759	-	-	-	3,759
Miscellaneous	452	-	-	-	-	452
Total Revenues	210,480	200,722	206,889	318,870	635,765	1,572,726
Expenditures:						
Current:						
General Government	-	-	-	-	-	0
Public Safety	-	207,238	57,058	-	-	264,296
Parks and Recreation	20,000	-	-	-	-	20,000
Economic Development	-	-	-	339,405	-	339,405
Debt Service:						
Principal	-	-	-	-	292,000	292,000
Interest	-	-	-	-	297,081	297,081
Total Expenditures	20,000	207,238	57,058	339,405	589,081	1,212,782
Excess of Revenues Over (Under) Expenditures	210,480	(6,516)	149,831	(20,535)	46,684	359,944
Other Financing Sources (Uses):						
Transfer In (Out)	(45,000)	-	(12,000)	43,000	-	(14,000)
Net Change in Fund Balance	165,480	(6,516)	137,831	22,465	46,684	345,944
Fund Balances - Beginning	923,361	93,187	173,797	24,059	38,866	1,253,270
Fund Balances - Ending	1,088,841	86,671	311,628	46,524	85,550	1,599,214

**SEVIER COUNTY
TREASURER'S TAX COLLECTION AGENCY FUND
BALANCE SHEET**

December 31, 2005

ASSETS:

Cash Invested	546,002
Cash on Hand	400
Taxes Receivable	<u>128,025</u>
 TOTAL ASSETS	 <u><u>674,427</u></u>

LIABILITIES:

Due to General Fund	57,196
Collections Payable	<u>617,231</u>
 TOTAL LIABILITIES	 <u><u>674,427</u></u>

**SEVIER COUNTY
COUNTY TREASURER
CURRENT YEAR TAXABLE VALUES**

December 31, 2005

TAXING UNITS	<u>Real Property Values</u>	<u>Centrally Assessed Values</u>	<u>Total Assessed RDA Value</u>	<u>Total Real and Centrally Assessed Values</u>
County Funds:				
General	529,785,668	224,331,626	13,670,749	740,446,545
State Assessing/Collecting	529,785,668	224,331,626	13,670,749	740,446,545
Local Assessing/Collecting	529,785,668	224,331,626	13,670,749	740,446,545
Total County Funds				
Sevier School District	529,785,668	224,331,626	13,670,749	740,446,545
Cities and Towns:				
Annabella	14,630,640	466,415	-	15,097,055
Aurora	21,346,560	1,080,255	-	22,426,815
Elsinore	14,537,000	575,596	-	15,112,596
Glenwood	9,855,080	328,390	-	10,183,470
Joseph	6,106,170	306,729	-	6,412,899
Kooshareem	8,121,690	406,054	-	8,527,744
Monroe	44,067,760	1,964,165	-	46,031,925
Redmond	13,542,180	582,688	-	14,124,868
Richfield	205,071,108	11,366,428	13,670,749	202,766,787
Salina	58,870,440	3,805,870	-	62,676,310
Sigurd	6,923,640	4,276,815	-	11,200,455
Total Cities and Towns				
Special Taxing Units:				
Richfield Redevelopment				
Landfill				
Drainage District #1				
Drainage District #4				
Total Special Taxing Units				
GRAND TOTALS				

<u>Total Real and Centrally Assessed Tax Rates</u>	<u>Taxes Charged</u>	<u>Personal Property Values</u>	<u>Personal Property Tax Rates</u>	<u>Personal Property Taxes Charged</u>	<u>Total Taxes Charged</u>
.003279	2,427,924	32,345,388	.003391	109,683	2,537,607
.000173	128,097	32,345,388	.000180	5,822	133,919
.000300	<u>222,134</u>	32,345,388	.000203	<u>6,566</u>	<u>228,700</u>
	<u>2,778,155</u>			<u>122,071</u>	<u>2,900,227</u>
.007167	<u>5,306,780</u>	32,345,388	.007135	<u>230,784</u>	<u>5,537,565</u>
.001088	16,426	283,230	.001090	309	16,734
.001686	37,812	322,930	.001689	545	38,357
.002063	31,177	281,755	.002045	576	31,753
.000860	8,758	96,158	.000860	83	8,840
.000743	4,765	98,079	.000750	74	4,838
.000580	4,946	280,755	.000579	163	5,109
.001553	71,488	996,970	.001577	1,572	73,060
.001557	21,992	359,760	.001548	557	22,549
.002365	479,543	15,620,066	.002451	38,285	517,828
.002376	148,919	4,883,189	.002387	11,656	160,575
.001256	<u>14,068</u>	565,539	.001262	<u>714</u>	<u>14,781</u>
	<u>839,893</u>			<u>54,533</u>	<u>894,426</u>
	-			-	181,602
	-			-	78,114
	-			-	11,293
	<u>-</u>			<u>-</u>	<u>1,092</u>
	-			-	272,101
	<u>8,924,829</u>			<u>407,389</u>	<u>9,604,319</u>

**SEVIER COUNTY
COUNTY TREASURER
STATEMENT OF TAXES CHARGED, COLLECTED AND DISBURSED
CURRENT AND PRIOR YEARS**

December 31, 2005

TAXING UNITS	Current Years Taxes			
	Taxes Charged	Treasurer's Relief		
		Unpaid Taxes	Abatements	Other
County General Fund	<u>2,537,607</u>	<u>90,680</u>	<u>25,083</u>	<u>(945)</u>
Assessing & Collecting - State	<u>133,919</u>	<u>4,784</u>	<u>1,323</u>	<u>167</u>
Assessing & Collecting - County	<u>228,700</u>	<u>8,296</u>	<u>2,295</u>	<u>(3,241)</u>
Sevier School District	<u>5,537,565</u>	<u>198,201</u>	<u>54,824</u>	<u>(3,509)</u>
Cities and Towns:				
Annabella	16,734	814	192	(19)
Aurora	38,357	1,137	742	(11)
Elsinore	31,753	2,743	686	(40)
Glenwood	8,840	232	155	(46)
Joseph	4,838	560	82	(2)
Kooshareem	5,109	208	38	(5)
Monroe	73,060	2,120	1,196	(252)
Redmond	22,549	1,144	521	(113)
Richfield	517,828	21,040	6,889	1,205
Salina	160,575	9,948	2,435	172
Sigurd	<u>14,781</u>	<u>654</u>	<u>193</u>	<u>(5)</u>
Total Towns	<u>894,424</u>	<u>40,600</u>	<u>13,129</u>	<u>884</u>
Other Districts:				
Richfield Redevelopment	181,602	-	-	-
Landfill	78,114	-	-	-
Drainage District #1	11,293	-	-	-
Drainage District #4	<u>1,092</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Districts	<u>272,101</u>	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTALS	<u>9,604,316</u>	<u>342,561</u>	<u>96,654</u>	<u>(6,644)</u>

Current Years Taxes			Other Collections			
Total Treasurer's Relief	Taxes Collected	Rate	Fee In Lieu	Miscellaneous Collections	Delinquencies	
					Tax	Interest/ Penalty
<u>114,818</u>	<u>2,422,789</u>	<u>95.48%</u>	<u>449,811</u>	<u>75,054</u>	<u>104,658</u>	<u>35,290</u>
<u>6,274</u>	<u>127,645</u>	<u>95.32%</u>	<u>23,732</u>	<u>2,497</u>	<u>5,624</u>	<u>297</u>
<u>7,350</u>	<u>221,350</u>	<u>96.79%</u>	<u>41,154</u>	<u>2,816</u>	<u>6,316</u>	<u>329</u>
<u>249,516</u>	<u>5,288,049</u>	<u>95.49%</u>	<u>983,165</u>	<u>98,969</u>	<u>222,677</u>	<u>11,556</u>
987	15,747	94.10%	5,516	317	1,094	66
1,868	36,489	95.13%	13,612	735	1,339	84
3,389	28,364	89.33%	9,740	550	3,919	132
341	8,499	96.14%	3,406	169	346	12
640	4,198	86.77%	1,700	95	332	13
241	4,868	95.28%	1,423	99	304	10
3,064	69,996	95.81%	22,641	1,437	2,186	105
1,552	20,997	93.12%	11,023	435	7,794	440
29,134	488,694	94.37%	100,090	10,028	25,186	1,098
12,555	148,020	92.18%	67,327	3,003	11,722	782
842	13,939	94.30%	3,108	288	1,235	82
<u>54,613</u>	<u>839,811</u>	<u>93.89%</u>	<u>239,586</u>	<u>17,156</u>	<u>55,457</u>	<u>2,824</u>
-	181,602	100.00%	-	-	-	-
-	78,114	100.00%	-	-	-	-
-	11,293	100.00%	-	-	-	-
-	1,092	100.00%	-	-	-	-
<u>-</u>	<u>272,101</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>432,571</u>	<u>9,171,745</u>	<u>95.50%</u>	<u>1,737,448</u>	<u>196,492</u>	<u>394,732</u>	<u>50,296</u>

**SEVIER COUNTY
TAX COLLECTION AGENCY FUND
CASH RECEIPTS AND DISBURSEMENTS**

For The Year Ended December 31, 2005

	Treasurer's Balance December 31, 2004	Tax Collection Receipts	Current Taxes Apportioned
Tax Collection Accounts:			
Current Years Taxes	-	9,171,745	(9,171,745)
Fee-in-Lieu/Age Based	-	1,737,448	-
Redemption of Prior Years Taxes	-	445,028	-
Miscellaneous Collections	-	196,492	-
Taxes Held for Refund	2,777	23,448	-
Forest Reserve	83,859	55,055	-
	<u>86,636</u>	<u>11,629,216</u>	<u>(9,171,745)</u>
Total Collections	<u>86,636</u>	<u>11,629,216</u>	<u>(9,171,745)</u>
Taxing Units:			
County General Fund	-	-	2,422,789
Assessing and Collecting - State	-	-	127,645
Assessing and Collecting - County	-	-	221,350
 Sevier School District	 446,415	 -	 5,288,049
Cities and Towns:			
Annabella	2,112	-	15,747
Aurora	4,604	-	36,489
Elsinore	4,139	-	28,364
Glenwood	1,092	-	8,499
Joseph	954	-	4,198
Kooshareem	640	-	4,868
Monroe	10,790	-	69,996
Redmond	5,680	-	20,997
Richfield	52,234	-	488,694
Salina	27,987	-	148,020
Sigurd	1,702	-	13,939
Other Districts:			
Richfield Redevelopment Agency	-	-	181,602
Landfill	-	-	78,114
Drainage District #1	-	-	11,293
Drainage District #4	-	-	1,092
	<u>558,349</u>	<u>-</u>	<u>9,171,745</u>
Total Due Taxing Units	<u>558,349</u>	<u>-</u>	<u>9,171,745</u>
 GRAND TOTALS	 <u>644,985</u>	 <u>11,629,216</u>	 <u>-</u>

<u>Fee-in-Lieu Apportioned</u>	<u>Prior Years Taxes Apportioned</u>	<u>Motor Carrier and Interest</u>	<u>Total</u>	<u>Disbursements</u>	<u>Treasurer's Balance December 31, 2005</u>
-	-	-	-	-	-
(1,737,448)	-	-	-	-	-
-	(445,028)	-	-	-	-
-	-	(196,492)	-	-	-
-	-	-	26,225	24,083	2,142
-	-	-	138,914	83,859	55,055
-	-	-	-	-	-
<u>(1,737,448)</u>	<u>(445,028)</u>	<u>(196,492)</u>	<u>165,139</u>	<u>107,942</u>	<u>57,197</u>
449,811	139,948	75,054	3,087,602	3,087,602	-
23,732	5,921	2,497	159,795	159,795	-
41,154	6,645	2,816	271,965	271,965	-
983,165	234,233	98,969	7,050,831	6,542,916	507,915
5,516	1,160	317	24,852	21,125	3,727
13,612	1,423	735	56,863	51,437	5,426
9,740	4,051	550	46,844	41,304	5,540
3,406	358	169	13,524	11,359	2,165
1,700	345	95	7,292	5,908	1,384
1,423	314	99	7,344	6,317	1,027
22,641	2,291	1,437	107,155	97,167	9,988
11,023	8,234	435	46,369	39,171	7,198
100,090	26,284	10,028	677,330	630,862	46,468
67,327	12,504	3,003	258,841	235,322	23,519
3,108	1,317	288	20,354	17,481	2,873
-	-	-	181,602	181,602	-
-	-	-	78,114	78,117	-
-	-	-	11,293	11,319	-
-	-	-	1,092	1,092	-
<u>1,737,448</u>	<u>445,028</u>	<u>196,492</u>	<u>12,109,062</u>	<u>11,491,861</u>	<u>617,230</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>12,274,201</u>	<u>11,599,803</u>	<u>674,427</u>

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is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board of County Commissioners
Sevier County
Richfield, Utah 84701

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Sevier County as and for the year ended December 31, 2005, which collectively comprise Sevier County's basic financial statements and have issued our report thereon dated June 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sevier County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

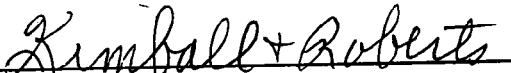
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sevier County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Sevier County in a separate letter dated June 22, 2006.

The Honorable Board of County Commissioners
Sevier County
Page -2-

This report is intended solely for the information and use of the audit committee, management, County Commission and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 22, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Board of County Commissioners
Sevier County
Richfield, Utah 84701

Compliance

We have audited the compliance of Sevier County with the types of compliance requirements described in the *U. S. Office of Management of and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Sevier County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sevier County's management. Our responsibility is to express an opinion on Sevier County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sevier County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sevier County's compliance with those requirements.

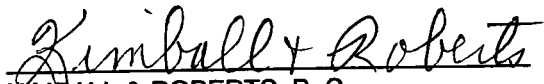
In our opinion, Sevier County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Sevier County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sevier County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, County Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 22, 2006
Richfield, Utah

**SEVIER COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended December 31, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Sevier County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Auditor's report on Internal Control and Compliance With Laws and Regulations.
3. No instances of noncompliance material to the financial statements of Sevier County were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Sevier County expresses an unqualified opinion.
6. There were no reportable conditions relative to the major federal award programs for Sevier County.
7. The programs tested as major programs include: Department of Justice, Byrne Formula Grant, CFDA 16.579; Department of Education, Early Intervention, CFDA 84.181; Department of and Human Services, Comprehensive Tobacco, CFDA 93.283; and Department of Homeland Security, Public Assistance Grants, CFDA 97.036 and Citizens Corps, CFDA 97.053.
8. The threshold for distinguishing between Type A and B programs is \$300,000 of federal awards expended.
9. Sevier County was a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

**SEVIER COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDED**

For The Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor</u>	<u>State Pass-Thru #</u>	<u>Federal Catalogue #</u>	<u>Disbursement/ Expenditures</u>
Direct Assistance:			
Department of Agriculture:			
Schools and Roads - Grants to States	N/A	10.665	<u>27,527</u>
Total Department of Agriculture			<u>27,527</u>
Total Direct Assistance			<u>27,527</u>
Indirect Assistance:			
Department of Agriculture:			
Pass Thru State Department of Health:			
Local Environmental	052372	10.559	125
WIC Program - Administration	051089	10.557	330,385
WIC Program - Administration	060774	10.557	86,182
WIC Program - Food Instruments (Vouchers)	041062	10.557	<u>1,174,550</u>
Total Department of Agriculture			<u>1,591,242</u>
Department of Housing and Urban Development:			
Passed Thru Six County Association of Governments:			
CDBG Grant	30592	14.228	<u>34,090</u>
Total Department of Housing and Urban Development			<u>34,090</u>

(Continued)

SEVIER COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDED

For The Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor</u>	<u>State Pass-Thru #</u>	<u>Federal Catalogue #</u>	<u>Disbursement/ Expenditures</u>
Department of Justice:			
Pass Thru Commission on Criminal and Juvenile Justice:			
Domestic Preparedness Equip Support Program	N/A	16.007	32,681
Anti-Drug Abuse	5D06	16.579	16,451
Anti-Drug Abuse	4D06	16.579	73,042
Local Law Enforcement Black Grant	N/A	16.592	<u>7,266</u>
Total Department of Justice			<u>129,440</u>
Department of Environmental Quality:			
Pass Thru State Department of Health:			
Environmental Health	050462	66.605	<u>11,677</u>
Total Department of Environmental Quality			<u>11,677</u>
Department of Education:			
Pass Thru State Department of Health:			
Early Intervention	042074	84.181	50,181
Early Intervention	052500	84.181	<u>35,802</u>
Total Department of Education			<u>85,983</u>
Department of Health and Human Services:			
Pass Thru Six County Association of Governments:			
SSBG - Title XX	N/A	93.667	8,231

(Continued)

**SEVIER COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDED**

For The Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor</u>	<u>State Pass-Thru #</u>	<u>Federal Catalogue #</u>	<u>Disbursement/ Expenditures</u>
Department of Health and Human Services (Continued):			
Pass Thru State Department of Health:			
Oral Health Dental Voucher	042089	93.110	105
TB Elimination Meds	052388	93.116	25
TB Elimination	041778	93.116	2,790
TB Elimination	061599	93.116	469
Childhood Immunization Grants	042089	93.268	17,940
Childhood Immunization Grants	060516	93.268	22,604
Childhood Immunization Grants	042089	93.268	5,743
Childhood Immunization Grants	060516	93.268	329
Childhood Immunizations Grants - Vaccines	N/A	93.268	127,958
Cancer Control	042072	93.283	11,644
Cancer Control	060814	93.283	11,444
Comp Tobacco Program	042072	93.283	14,871
Comp Tobacco Program	060814	93.283	10,162
Biotoricism	051398	93.283	179,545
Biotoricism	061177	93.283	93,764
Consumer Education	042169	93.778	10,619
Consumer Education	060268	93.778	6,288
CHEC	042169	93.778	3,605
CHEC	060268	93.778	2,435
HIV Counseling	061599	93.940	92
Heart Disease and Stroke	042072	93.945	16,387
Heart Disease and Stroke	060814	93.945	13,563
STD Special Contract	061599	93.945	420
Cardiovascular Promo	042072	93.991	5,394
Cardiovascular Promo	060814	93.991	8,660
PBJ Injury Prevention	042072	93.991	1,784
PBJ Injury Prevention	060814	93.991	1,554
Home Visitation	042089	93.994	7,745
Home Visitation	060516	93.994	2,370
Community Injury Prevention (MCH)	042072	93.994	12,607
Community Injury Prevention (MCH)	060814	93.994	6,927
Injury Mini Grant	042072	93.994	5,495
MCH	042089	93.994	10,607
MCH	060516	93.994	10,607
Community Based CSH	042074	93.994	27,230
Community Based CSH	052500	93.994	10,188
Total Department of Health and Human Services			<u>672,201</u>

(Continued)

**SEVIER COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDED**

For The Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor</u>	<u>State Pass-Thru #</u>	<u>Federal Catalogue #</u>	<u>Disbursement/ Expenditures</u>
Department of Homeland Security:			
Passed Through Utah Department of Public Safety:			
Public Assistance Grants	N/A	97.036	146,847
Citizens Corps	2002-CITCORPS3	97.053	78,765
State Domestic Preparedness Equip	DES-2004-LETP-003	97.004	19,377
State Domestic Preparedness Equip	DES-2004-CIT-015	97.004	3,766
State Domestic Preparedness Equip	DES-2004-CIT-014	97.004	28,175
Homeland Security Grant Program	DES-2005-CIT-025	97.067	59
Total Department of Homeland Security			<u>276,989</u>
Total Indirect Assistance			<u>2,801,622</u>
Total Assistance			<u><u>2,829,149</u></u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

General:

The accompanying Schedule of Federal Awards Expended presents the activity of all federal financial assistance programs of Sevier County. The reporting entity, Sevier County, is defined in Note 1 to Sevier County's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the Schedule of Federal Awards Expended.

Basis of Accounting:

The accompanying Schedule of Federal Awards Expended is presented using the modified accrual basis of accounting for assistance received by governmental fund types, which is described in Note 1 to Sevier County's basic financial statements.

NOTE B - WIC VOUCHERS

Nonmonetary assistance is reported in the schedule for WIC vouchers at the retail value of the vouchers used by the clients for food purchased with the vouchers at retail grocery stores. The total amount used for food during 2005 was \$1,174,550

NOTE C - CHILDHOOD IMMUNIZATION VACCINES

Nonmonetary assistance for vaccines in the Childhood Immunization Program is reported in the schedule based on the dollar values of vaccines shipped from the Utah Department of Health to Central Utah Public Health during 2005. The total dollar value of vaccines used during 2005 was \$127,958.

**SEVIER COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS**

For The Year Ended December 31, 2005

There were no prior audit findings.

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board of County Commissioners
Sevier County
Richfield, Utah 84701

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Sevier County for the year ended December 31, 2005, and have issued our report thereon dated June 22, 2006. As part of our audit, we have audited Sevier County's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. The County received the following major State assistance programs from the State of Utah:

B Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
Performance Grant (Department of Health)

The County also received the following nonmajor grants that are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Sevier County's financial statements.)

State Grant (Department of Community and Economic Development)
Bookmobile Grant (Department of Community and Economic Development)
Task Force Grant (Department of Public Safety)
Fire Grant (Department of Natural Resources)
Cardiovascular (Department of Health)
Heart Disease and Stroke (Department of Health)
Tobacco Compliance (Department of Health)
Tobacco Mini Grants (Department of Health)
PBJ Injury Prevention (Department of Health)
CHEC (Department of Health)
MCH (Department of Health)
Healthy Utah (Department of Health)
Health Dental Voucher (Department of Health)
Indoor Clean Air (Department of Health)
Summer Food (Department of Health)
Cancer Control (Department of Health)
Early Intervention (Department of Health)
Local Environmental Health (Department of Health)
Tobacco Prevention (Department of Health)
Ambulance Grant (Department of Health)
Family Planning (Department of Health)
TB Elimination (Department of Health)
Environmental Health (Department of Health)
Consumer Education (Department of Health)
Mosquito Grant (Department of Health)

Our audit also included testwork on the County's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation & Property Tax Limitations
Liquor Law Enforcement
Justice Court
B & C Road Funds


Other General Issues
Uniform Building Code Standards
Statement of Taxes Charged
Collected & Disbursed
Assessing and Collecting of
Property Taxes
Transient Room Tax

The management of Sevier County is responsible for the County's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

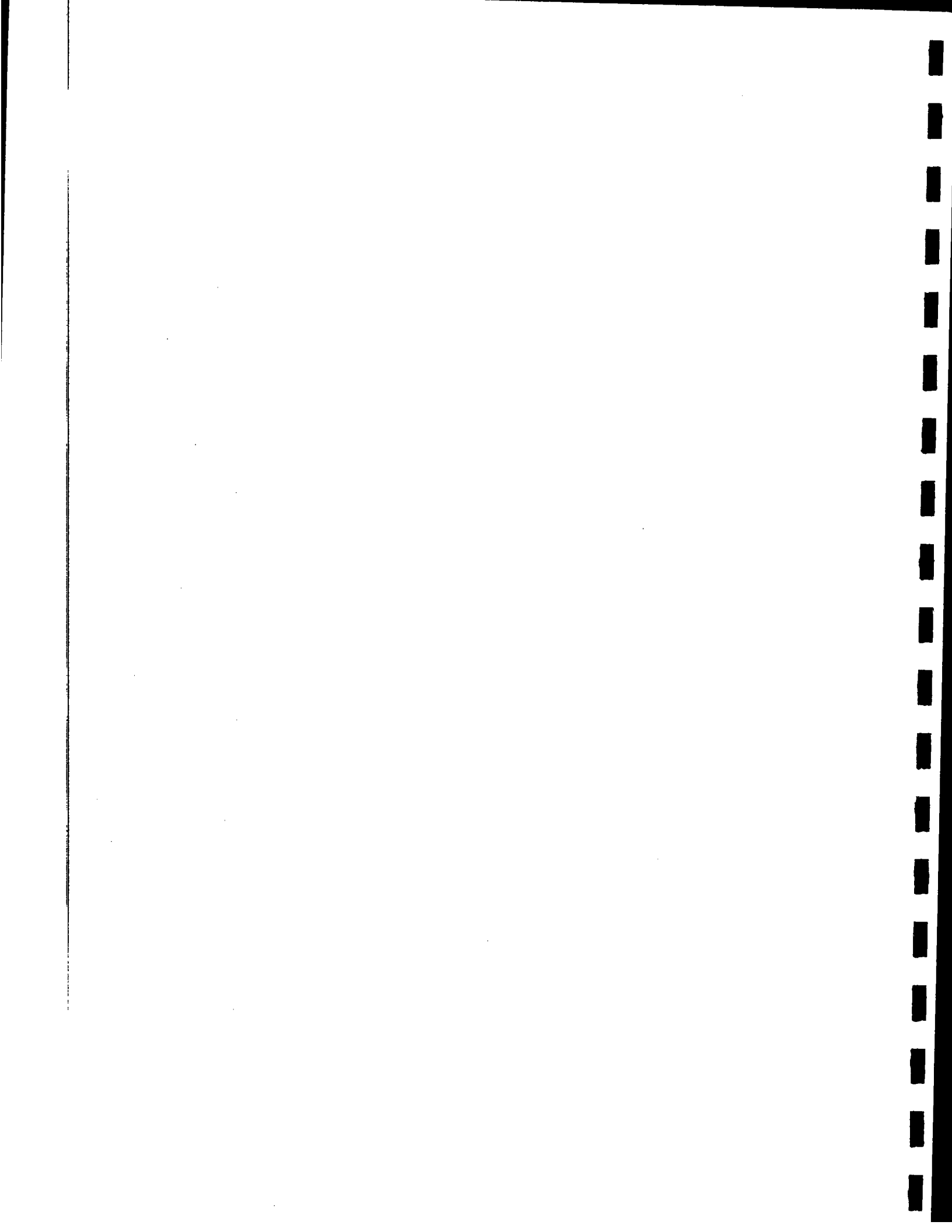
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Sevier County, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended December 31, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 22, 2006
Richfield, Utah



SEVIER COUNTY
MANAGEMENT LETTER
DECEMBER 31, 2005

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

June 22, 2006

The Honorable Board of County Commissioners
Sevier County
Richfield, Utah 84701

During our audit of the funds of Sevier County for the year ended December 31, 2005, we found a circumstance that, if improved, would strengthen the County's accounting system and control over its assets. This item is discussed below for your consideration.

INTERNAL CONTROLS:

Accounts Payable

Finding:

During our audit of accounts payable we found that the accounts payable detail did not balance with the general ledger.

Recommendation:

We recommend that the County work with the computer software provider to insure that detail accounts payable summaries are properly posted to the general ledger and the detail listing of accounts payable agrees with the general ledger.

Response:

The finding above was discussed with Sevier County Officials and they concur with the recommendation.

Budgetary Compliance

State law states that employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund.

Finding:

During our audit we noted that the expenditures incurred in the Ambulance Fund exceeded the budget.

Recommendation:

We recommend that the County monitor the budget and if expenditures are going to exceed the adopted budget, a public hearing be held to increase the budget. Additional funds from the fund balance should be added and additional expenses should be added to the proper budget accounts.

The Honorable Board of County Commissioners
Sevier County
Page -2-

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Sevier County's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants

DKK/vl